The Luxury Goods Market in Poland

Polish Premium and Luxury Brands

2015 Edition

KPMG.pl

Contents

Introduction

It gives us great pleasure to present the sixth edition of the report on the luxury goods market in Poland. Due to the great interest in our project, this year we have decided to observe the market from a somewhat different perspective.

The general theme of this year's report is Polish premium and luxury brands. For this reason, we decided to create a list of the leading Polish brands in the market in question. To better present the situation in this industry, we have conducted a survey of affluent and rich people and also of businesses that include Polish premium and luxury brands in their portfolio. Thanks to our respondents, we were able to show results not only for the whole market, but also divided into segments.

This year's report shows that Polish premium and luxury brands are expanding and successful, both nationally and within international markets. The results of our research also show that the buyers of premium and luxury goods in Poland pay attention to a product's country of origin, and most of them claim that the label 'Made in Poland' is an incentive to buy.

We extend our heartfelt thanks to all of the companies, organizations, and people who have participated in the preparation of this year's edition of the report. We believe that its findings will encourage discussion about the luxury goods market in Poland.

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Key Conclusions

1. The value of the market for luxury goods in 2015 is estimated at PLN 14.3 billion

This represents an increase of 13% on the previous year. This is due primarily to the increased sales of luxury and premium cars and growth in the perfumes and cosmetics sector. According to KPMG's estimates, by 2018, the value of the luxury goods market in Poland will increase by 17%, reaching a level of nearly PLN 17 billion.

2. The hotel and spa services segment will grow the fastest, achieving a growth rate of 11% per annum

In the coming years, the greatest percentage growth can be expected in the hotel and spa services segment, which is largely due to the planned opening of new luxury hotels in Poland. According to KPMG analysis, the yacht and jewellery and watches segments will also achieve growth exceeding 6% per annum.

3. The net income of affluent and rich Poles in 2015 amounts to approximately PLN 155 billion

The number of people with a monthly income in excess of PLN 7.1 thousand living in Poland in 2015 is estimated at 969 thousand, and in 2016 this number will exceed 1 million for the first time. The combined annual income of affluent and rich people currently amounts to PLN 155 billion, which, in comparison to the previous year represents a 5% increase. According to KPMG analysis, by 2018 this value will increase to about PLN 209 billion.

4. The largest number of Polish premium and luxury brands are in the clothing, jewellery and watches, and spirits segments

There are several Polish premium and luxury clothing brands active in the clothing segment. In the jewellery segment, alongside the well-known Polish jewellery chains, operating on a large scale, there are also many small, individual boutiques and jeweller's workshops. The premium and luxury spirits market is represented mainly by Polish vodka brands of all types. Polish brands also exist in other segments, such as footwear and leather goods, hospitality and spa, and cosmetics and perfumes.

5. The best known Polish premium and luxury brands include companies present in the jewellery, spirits, cosmetics, and leather goods segments

Among the most recognisable Polish brands representing the luxury goods segment are jewellery firms Apart and W.KRUK, vodka brands Chopin and Belvedere, WITTCHEN, known for selling high quality leather goods, as well as the strong cosmetic brand, Dr Irena Eris.

6. For almost half of the affluent and rich buyers, the country of origin has a big or very big significance in the buying process

49% of the respondents that took part in the KPMG survey declared that they pay attention to the country of origin of the premium and luxury brands. However, 29% of those surveyed declared that the origin of a brand has little bearing on the purchase decision. Only every fifth person considers that the country of origin has no meaning, or they are unable to indicate an influence on the choice of products purchased.

7. The label 'Made in Poland' encourages affluent and rich buyers to make a purchase

As many as 60% of affluent and rich buyers declared that the label 'Made in Poland' encourages them to make a purchase. Only 6% of affluent and rich Poles consider that the label 'Made in Poland' discourages them from making a purchase. The remaining respondents consider that Polish origin has no influence on their decision.

8. Every second affluent and rich buyer claims that Polish premium and luxury brands are characterised by a better relationship between quality and price than their imported equivalents

Affluent and rich buyers consider that it is price and quality that are the main characteristics distinguishing Polish luxury and premium brands from international products. Furthermore, brands from the spirits and clothing segments are evaluated significantly higher with respect to tradition and history.

9. The Internet, after shopping centres, is the second most important location for the purchase of Polish premium and luxury brands

The Internet has the greatest meaning in the case of the purchase of cosmetics and perfumes – in the KPMG survey, 43% of affluent and rich Poles admitted that they purchase Polish brands from this segment chiefly over the Internet. In the case of clothing, footwear and leather goods, as well as watches and jewellery, this was the case for almost every fourth respondent.

10. 60% of affluent and rich buyers use the Internet to compare the prices of Polish premium and luxury brands

Over 47% of respondents declared that they actively search for discount prices for Polish premium and luxury brands over the Internet. In both cases, this share is lower for international brands. The KPMG survey shows that in almost all of the analysed segments, the Internet is the most important source of information about Polish brands from the high- and top-ends.

2 Leading Polish premium and luxury brands

In this year's edition of our report, we studied Polish premium and luxury brands, and for this reason we decided to present the twenty leading Polish brands from the premium and luxury segment. They have been distinguished on the basis of several complex criteria.

Over one hundred subjectively selected Polish brands from various segments of the market in question were subjected to analysis. We are aware that it is not easy to compare such diverse brands with one another, nevertheless, adopting the appropriate criteria, we managed to come up with the leading twenty, in our opinion. The most important criteria for making this selection were:

- **Tradition and history** – in this category, the year of establishment and duration of operation of the brand were crucial. The most points were awarded to companies with a rich and prestigious history, the least to relatively young brands, that have been present on the market for a few years and are only beginning to build their tradition.
- **Awards and distinctions** – the analysis considered not only the number, but also the prestige of the awards and distinctions received, both national and international.
- **Export and presence in foreign markets** – in this category, the share of exports in the sales of a given brand were decisive, and also the direct market presence in other countries in the form of brand showrooms located beyond the borders of Poland.
- **Brand Awareness among potential consumers (spontaneous and aided)** – the basis of the points was the result of consumer research conducted on a sample of 305 affluent and rich Poles. The respondents were asked to spontaneously provide the names of Polish premium and luxury brands; additionally, brand awareness was tested among respondents on the basis of a list of suggestions.

The brands are presented in alphabetical order.

Apart	Kler
Belvedere Vodka	La Mania
Hotel Bristol	Likus Hotels and Restaurants
Chopin	OCHNIK
Delphia Yachts	Sunreef
Dr Irena Eris (Cosmetics)	Vistula
Dr Irena Eris (Hotels)	W.KRUK
Emanuel Berg	WITTCHEN
Galeon	Wyborowa/ Wyborowa Exquisite
Kazar	YES

(alphabetical order)

Jewellery and watches

Apart

The beginnings of the company reach back to 1977, when Adam Rączyński established his jeweller's workshop. In 1983, Adam was joined by his brother Piotr. At this time, they adopted the name Apart – combining the first letters of the names of the owners with the word art. In 1997, the first exclusive company jewellery showroom was opened in Poznan. In 2001, the company extended its product range with renowned Swiss watches.

The Apart brand has been recognized by the judges of several dozen prestigious competitions and plebiscites. Currently, Apart owns about 200 salons throughout the country and is one of Poland's leading jewellery firms.

Awards and Distinctions:

- Multiple winner of the 'Rzeczpospolita' Strongest Polish Brand Award
- European Trusted Brands Gold Medal 2012 and 2013 – Reader's Digest consumer survey
- MasterCard Trade and Services Master 2009

Spirits

Belvedere Vodka

Belvedere is a luxury Polish rye vodka, produced in Żyrardów. It has fans all around the world and is one of the most recognized brands of this spirit. The history of its international success goes back to the 1990s. At that time, Polmos Żyrardów, one of the largest Polish producers of spirits, decided to create its own unique brands. The first bottles of Belvedere Vodka were produced in 1993. The brand quickly achieved recognition in the national market, and at the beginning of 1996, it was introduced into the American market as one of the first luxury vodkas.

Currently, Belvedere Vodka is served in the best clubs around the world, and also appears wherever fashion, music, and celebrities meet, including the film production 'Spectre' and as an ingredient of James Bond's famous vodka Martini.

Belvedere vodka is a part of the portfolio of the LVMH corporation, alongside brands such as Dom Pérignon, Chateau Cheval Blanc, Hennessy, Louis Vuitton, Loewe, Kenzo, or Givenchy.

Awards and Distinctions:

- Multiple IWSC (International Wine & Spirits Competition) Awards
- San Francisco World Spirits Competition 2014 – Silver Medal

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

Hospitality and spa

Hotel Bristol

For over a century, Hotel Bristol has been an integral part of the cultural life of Warsaw. Established by Ignacy Paderewski, from the very beginning it played host to eminent representatives of world culture.

This five-star hotel is distinguished by its neo-renaissance façade and interiors featuring elements of early 20th century Art Deco. It is situated in a central location on the Royal Route, close to the Presidential Palace, just a few steps from the Old Town, the Royal Castle, and the National Opera.

The building comprises over 200 rooms and suites on six storeys. It also houses two restaurants, two banqueting rooms, a business centre, library, swimming pool, solarium, sauna, steam bath, and a gym. Parts of the interior are decorated in the Art Nouveau style.

Famous names that have stayed at the Hotel Bristol during their visits to Warsaw include: Pablo Picasso, Marlene Dietrich, Sophia Loren, Plácido Domingo, Douglas Fairbanks, Arthur Rubinstein, and Woody Allen.

Awards and Distinctions:

- Distinction in the category 'Top 30 Hotels in Northern Europe' – Conde Nast Readers' Choice Award 2015
- Distinction for the Paderewski Suite – Town & Country Travel
- Award in the category 'New and Upcoming Hotels' 2014 – Starwood Preferred Guest

Spirits

Chopin

Chopin vodka belongs to the luxury white vodka segment. Only ingredients originating in Poland are used in its production, and the vodka itself is quadruple distilled. Chopin vodka available in international markets is produced from just three ingredients: rye, wheat, or potatoes. Depending on the ingredients used, it is called respectively Chopin Rye Vodka, Chopin Wheat, or Chopin Potato. Production of Chopin Potato uses a specific variety of potato, the Stobrawa potato, which is traditionally grown in the Siedlce region – it takes about 3-4 kg of potatoes to produce each bottle.

The bottles are produced in France and sealed with a cork. The label bears an image of Chopin, with an invitation to listen to his music and sample the vodka.

Awards and Distinctions:

- Gold Medal 2012 – San Francisco World Spirits Competition
- Gold Medal 2011 – Los Angeles International Wine & Spirits Competition

Yachts

Delphia Yachts

The Delphia Yachts shipyard was launched in 1990 by two brothers, Piotr and Wojciech Kot. It has since become the largest builder of luxury yachts in Poland, with a product range comprising yachts between 7 and 15 meters in length. After 25 years of operation and producing over 20 thousand sailing and motor yachts, the Delphia brand enjoys broad recognition among sailors all over the world.

Thanks to a consistently developed network of dealers, the company has expanded its business to global scale. Brand representatives are to be found in Europe and Russia, as well as the United States, Canada, Japan, and Australia, and since 2014, also in China. In 2012, the company acquired the prestigious brand Maxi Yachts.

Awards and Distinctions:

- Distinction in the category 'Presence in the global Market' – President's Economic Award 2014
- Award for the Nautika 1090 Soley in the category 'Motor Yacht up to 40 feet' – Croatian Boat of the Year 2014
- Teraz Polska 2011 Award for the Delphia 47

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

Cosmetics and perfumes

Dr Irena Eris (Cosmetics)

Dr Irena Eris is a company founded over 30 years ago by Dr Irena Eris and her husband, Henryk Orfinger. In 1983, Dr Irena Eris opened a small cosmetics plant dedicated to the production of one cream. Since then, the company has evolved into a large cosmetics concern, known both in Poland and around the world. The founder has been recognized as one of the twenty most influential women in Polish history according to the weekly magazine 'Polityka'. Currently the Eris corporation employs hundreds of employees and sells more than 25 million units of cosmetics annually.

The company Dr Irena Eris is associated with professional body care. This image is supported by the Dr Irena Eris Cosmetics Institutes and by a chain of spa hotels.

Awards and Distinctions:

- Membership of the Comité Colbert since 2012

Hospitality and spa

Dr Irena Eris (Hotels)

Three spa hotels operate under the Dr Irena Eris brand: Wzgórza Dylewskie, Krynica Zdrój, and Polanica Zdrój. The hotel in Krynica was opened in 1996. This four-star hotel currently boasts about 50 rooms and suites, and its grounds house a Dr Irena Eris Cosmetic Institute. Ten years after the first site opened its doors, the hotel spa Wzgórza Dylewskie began to welcome guests. Both locations have been distinguished with the Premium Quality certificate by the German Wellness Association. The Hotel Spa Dr Irena Eris Wzgórza Dylewskie achieved one of the best evaluations in the history of about 200 audits conducted to date by the association.

The newest investment of Dr Irena Eris is the Hotel Spa Polanica Zdrój, located close to the Health Park. The site includes a spa centre, a sauna and a swimming pool complex, as well as a Dr Irena Eris Cosmetic Institute.

Awards and Distinctions:

- Multiple distinctions in the SPA Prestige Awards competition
- 1st place for the Hotel Spa Dr Irena Eris Wzgórza Dylewskie in the Business Traveller Awards 2014 - Best Hotel Spa in Poland Category
- Invitation to the Luxury Spas collection 2014 – National Geographic Traveller

Clothing

Emanuel Berg

The clothing brand Emanuel Berg, specializing in the production of elegant men's shirts, was founded in 1989 in Cologne by Jarosław Berg-Szychulda. Several showrooms operate in Poland, located in Warsaw, Gdańsk, Gdynia, Sopot and Wrocław, as well as a production plant in Tczew. Emanuel Berg's exclusive collections are sold all over the world and the brand has its own showrooms in Paris, Munich, Cologne, Frankfurt, and Budapest.

In addition to the wide assortment of luxury shirts and accessories (neckerchiefs, scarves, cravats, handkerchiefs, bowties, and ties), Emanuel Berg also offers a made-to-measure service. Clients can choose from among 700 fabrics produced in Italy. The individual character of the shirts and suits is highlighted by the possibility of adding a monogram in a selected font and colour.

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

Galeon

Yachts

The company, founded in 1982, is an entirely Polish enterprise specializing in the construction of motor boats and yachts up to 25 meters. Each yacht is built to the client's individual specification in the Galeon factory, where all the production processes take place, from the very beginning to final water testing in a specially prepared pool.

Currently, the company has production plants with an area of over 26 thousand square meters, a private marina, and over 500 experienced employees at its disposal.

The company has extended its sales range beyond European markets and currently has a network of about 100 professional distributors around the world (including South America, Switzerland, China, and South Korea).

Awards and Distinctions:

- Winner in the category 'Yacht of the Year 2014' at the Wind and Water Trade Fair
- Awards in the categories 'Most Innovative' and 'Best Design' 2011 – World Yachts Trophies

Kazar

Footwear and leather goods

The Kazar company was founded in 1990 and initially operated as a wholesale distributor of Italian shoes. The first Kazar brand store opened in Katowice in 1996. Two years later, the ownership structure changed, resulting in new operational policies and strategies. Currently, the company is focussed on the development of its prestigious brand by creating an image of a fashion brand and expanding the network of showrooms offering high-quality footwear, bags, and briefcases. Kazar shoes often accompany the shows of collections of notable Polish designers, including Paprocki & Brzozowski, Ewa Minge, Teresa Rosati, or Łukasz Jemioł. Kazar showrooms are opened in carefully selected locations. The brand is also undertaking further steps towards international expansion. Kazar shops are already to be found in Romania, Hungary, and in the United Arab Emirates.

Awards and Distinctions:

- Forbes Diamond 2015 and 2011
- Superbrands Created in Poland title 2013
- Fashion Retailer of the Year 2011-2013 – EuropaProperty

Kler

Furniture

Piotr Kler, owner of this exclusive Polish brand specializing in leather furniture, began his business activity in 1973 and, over the next few years, expanded it from a small craft-shop into a company with a strong market position, both nationally and internationally. In addition to a broad range of exclusive leisure furniture, Kler also offers its clients coordinated bedroom designs. Kler furniture is sold in numerous European countries and also in the United States and Canada.

Awards and Distinctions:

- Distinction in the 'Product' category 2007 – LUBDOM Trade Fair
- Company of the Year 2007 of the Opole Voivodship – Regional Forbes Executive Meeting

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

Clothing

La Mania

La Mania was established in 2010 in Warsaw by Joanna Przetakiewicz. That same year, the label's first collection, specializing in elegant and minimalist women's outfits, was presented at the Zachęta Gallery in Warsaw. La Mania soon achieved its first successes, and is currently a strong fashion brand in Poland, while simultaneously building its international market presence .

The brand has four exclusive boutiques in Poland, located in Warsaw, Katowice, Wrocław, and Gdynia. Since 2012, La Mania collections are also sold in Europe's famous fashion houses, including the luxury department store Harrods in London. The brand is planning to further strengthen its position in European and world markets.

Awards and Distinctions:

- '2014 Label of the Year' – ELLE STYLE AWARDS
- Best Collection/Designer 2013 – Fashion Magazine
- Joanna Przetakiewicz – Glamour Woman of the Year 2013

Hospitality and spa

Likus Hotels and Restaurants

The Copernicus, Stary, Monopol, and Pod Różą Hotels belong to the Likus Hotel and Restaurant Group, established by the Likus brothers, Wiesław, Tadeusz, and Leszek. All of the hotels are in old, historic buildings, e.g., the Hotel Pod Różą is located in a renaissance palace, and Hotel Stary within the walls of a 14th Century townhouse, where many historic elements have survived.

Hotel Pod Różą is the only hotel in Poland that belongs to the Relais & Châteaux fellowship, which represents buildings of outstanding historical character all over the world.

Awards and Distinctions:

- Hotel Pod Różą belongs to the Relais & Châteaux fellowship
- Hotel Stary, winner in the category 'Best Hotel Interior Architecture in Europe 2007' – Prix Villégiature competition
- All hotels hold a Trip Advisor certificate of quality

Footwear and leather goods

OCHNIK

The OCHNIK brand has been present on the Polish market since 1989. It was founded by the brothers Cezary and Jacek Ochnik, who had decided to create a Polish family enterprise in the model of Italian producers. In 1992, they began cooperation with Italian producers of raw materials, which four years later, resulted in the OCHNIK company introducing a new type of leather into the Polish market. In subsequent years, the company range was expanded by the addition of wallets and leather briefcases, and in 2007 a line of bags and gloves was launched. Later, the company entered into cooperation with the designer duo Paprocki & Brzozowski, whereas the limited edition 2009/2010 autumn/winter clothes collection was designated with the name Viola Śpiechowicz – a noted creator of fashion. The OCHNIK brand has existed for over 25 years, and in this time it has found itself in the group of the most recognisable brands offering leather goods and clothing in the Polish market.

Awards and Distinctions:

- Best shop in Poland 2015 – awarded to the OCHNIK Showroom in Gemini Park Tarnów – Retail Marketing Awards
- Business Gazelle 2014 – 'Puls Biznesu'
- Good Brand Award 2013 – Quality, Trust, Reputation – Forum Biznesu

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

Yachts

Sunreef

The Sunreef Yachts boatyard was founded by French businessman, Francis Lapp. Since 2002, the company has had its premises in the historic Gdańsk Shipyard, but it also has representative's offices in the United States, China, and the Near East, and a network of representatives on every continent. In the course of the 13 years of its operations, the company has become one of the leaders in the production of luxury catamarans over 18 meters as well as of super yachts, which are custom built to the individual specifications of the client. Key characteristics of the company's operations include yacht customisation and the location of all design and production facilities in one place, eliminating the need to outsource particular construction stages.

Awards and Distinctions:

- Sunreef 74 'Best World production of a sailing yacht over 15m' 2015 – Asia Boating Awards, Hong Kong
- Teraz Polska 2011 Award for Sunreef 80 Carbon Line catamaran
- Entrepreneur of the Year 2014 for Francis Lapp – World Yacht Trophies

Clothing

Vistula

The beginnings of Vistula reach back to the two-decade interwar period, yet as an independent entity, the company began operating in 1948. In the 1970s, the original workshop in Kraków was modernized, and subsidiaries were launched in four additional locations. In 1993, Zakłady Przemysłu Odzieżowego „VISTULA" S.A. floated on the Warsaw Stock Exchange, one of the first clothing firms to do so.

Currently, the flagship products of the brand are elegant suits, made from fabrics that come from notable European suppliers, such as Marzotto, Guabello, Tallia di Delfino, Vitale Barberis Canonico or Lanificio Zignone.

The Lantier collection is dedicated most of all to men who are committed to a formal dress code. The collection covers mainly suits, but also classic coats, jackets, shirts, trousers, and accessories.

Awards and Distinctions:

- SCF Men's Retailer of the Year 2015 – Shopping Centre Forum 2015 Retailer's Awards
- 2nd place in the Stock Exchange Company of the Year 2014 and 1st place in the category 'Best Quality of Goods or Services' – Puls Biznesu
- 1st place in the category 'Best Clothing for the Travelling Businessman' – Business Traveller Award 2014

Jewellery and watches

W.KRUK

The history of the W.KRUK brand goes back to 1840. The company was founded by Leon Skrzetuski, who opened a workshop in Poznan, producing mainly liturgical equipment and jewellery on commission from the church. In 1893, on the death of the founder, his nephew, Władysław Kruk, took over the business. 1990, the company's first jewellery showroom opened in Poznan, with gold and silver jewellery and watches. Another milestone in the development of the company was the purchase of the jewellery works 'Rytosztuka', to which all production was subsequently transferred. In July 2002, the company W.KRUK floated on the Warsaw Stock Exchange and two years later it entered into a contract with ROLEX, the Swiss watchmaker, for the distribution of the brand in Poland.

In 2008, the company W.KRUK merged with Vistula Wólczanka, which led to the establishment of Vistula Group S.A. Following a period of intense expansion of the W.KRUK showroom network in the years 2008-2014, the brand now possesses over 80 jewellery showrooms throughout Poland as well as a vigorously active Internet shop. This year, the company celebrates 175 years of operations and has created the Jubilee Collection '1840' to mark the occasion.

Awards and Distinctions:

- Distinction in the 'Secret Customer' Survey 2012, conducted by the Daymaker company
- Distinction in European Trusted Brands 2010 – 'Reader's Digest'

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

Footwear and leather goods

WITTCHEN

The beginnings of the company go back to 1990, when Jędrzej Wittchen began the sale of luxury products under the WITTCHEN brand. The company's offer includes the sale of luxury leather clothing, travel accessories, as well as leather footwear.

In addition to their own brand shops, which are mainly located in shopping centres, the company also conducts sales over the Internet. The export business is also being intensively expanded. Built over 25 years, WITTCHEN is currently one of the most recognized brands in the Polish luxury leather accessories market, as confirmed by consumer research carried out by KPMG in Poland

Awards and Distinctions:

- Service Quality Star 2015 in the Clothing'
- Superbrand Statuette 2014/2015 Winner- Superbrands Polska
- Luxury Brand of the Year 2014 – Osobowość i Sukces magazine

Spirits

Wyborowa/Wyborowa Exquisite

The roots of Wyborowa Vodka stretch back to 1823, when the entrepreneur Hartwig Kantorowicz began production in Poznan. In the 1950s and 1960s, it was known in most European countries.

Wyborowa Vodka is produced entirely from rye grain, which causes its natural, sweetish flavour. Wyborowa Vodka was one of the first Polish vodka brands to be exported; today it is sold in more than 80 countries, occupying a high position in international vodka rankings.

Wyborowa Exquisite Vodka is produced from a variety of millet called Dańkowskie Złote. This ingredient causes the sprit to have sweet, nutty notes. The bottle was designed by Frank Gehry, the famous American architect, creator of such things as the Dancing House in Prague and the Olympic Fish Pavilion in Barcelona.

Awards and Distinctions:

- Gold Medal 2012 – Monde Selection Quality Institute
- Multiple distinctions at San Francisco World Spirits Competition

Jewellery and watches

YES

In 1981, the small jewellery concern YES Biżuteria was founded. From that time the company began to expand rapidly, and in 1993, the first YES branded showroom opened in Poznan. Three years later, under the slogan 'Ladies Prefer Diamonds', the first large advertising campaign of YES jewellery in the Polish market was launched. Expansion took on a dynamic tempo especially when the family firm decided to build a sales network based on the franchise system. In 1998, Galeria YES opened in Poznan – a non-commercial, private shopping centre, promoting the most interesting achievements of artists designing artistic jewellery. Currently, the YES company has over 100 showrooms.

Awards and Distinctions:

- Best visual campaign relating to the YES 2010 calendar – PRCH Retail Awards
- Trade concept of the year 2010 – PRCH Retail Awards

Source: prepared by KPMG in Poland on the basis of desk research, brand websites and information supplied by the companies.

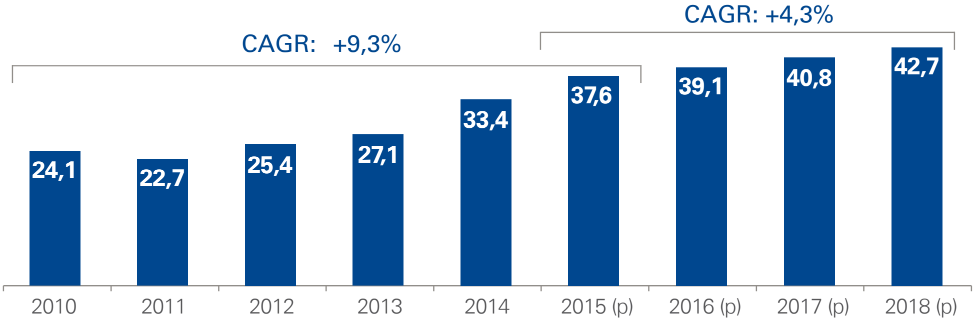
3 Value of the luxury goods market in Poland

In 2015, the value of the luxury goods market in Poland was estimated at PLN 14.3 bn, which represents an increase of 13% in relation to the previous year. The largest category presented in the analysis is luxury and premium cars; the value of this segment reaches close to PLN 7.0 bn, which represents almost half of the entire value of the luxury goods market in Poland.

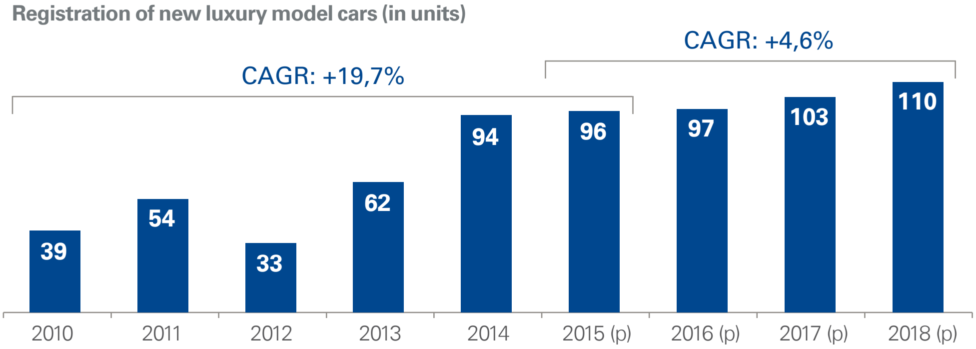
Other significant segments are clothing and accessories (14% of the market), hospitality and spa services, and real estate (9% and 8% respectively). Other segments considered in the analysis are: furniture, spirits, cosmetics and perfumes, jewellery and watches, home electrics, writing implements, yachts and aeroplanes. KPMG and Euromonitor forecasts show that the luxury goods market in Poland has good prospects for growth yet, due to its ever increasing saturation, the rate of growth will be slower than it has been so far. By 2018, the value of the market may reach PLN 16.6 bn. This would represent a growth of 17%. Over the next three years, the highest percentage growth can be expected in the hospitality and spa segment (35%), yachts (22%), and jewellery and watches (21%). Highly dynamic activity will also be seen in real estate (18%) and cars (17%).

PLN **6,974** million
value of the luxury **motor car** market in Poland

Registration of new premium model cars (in thousands)



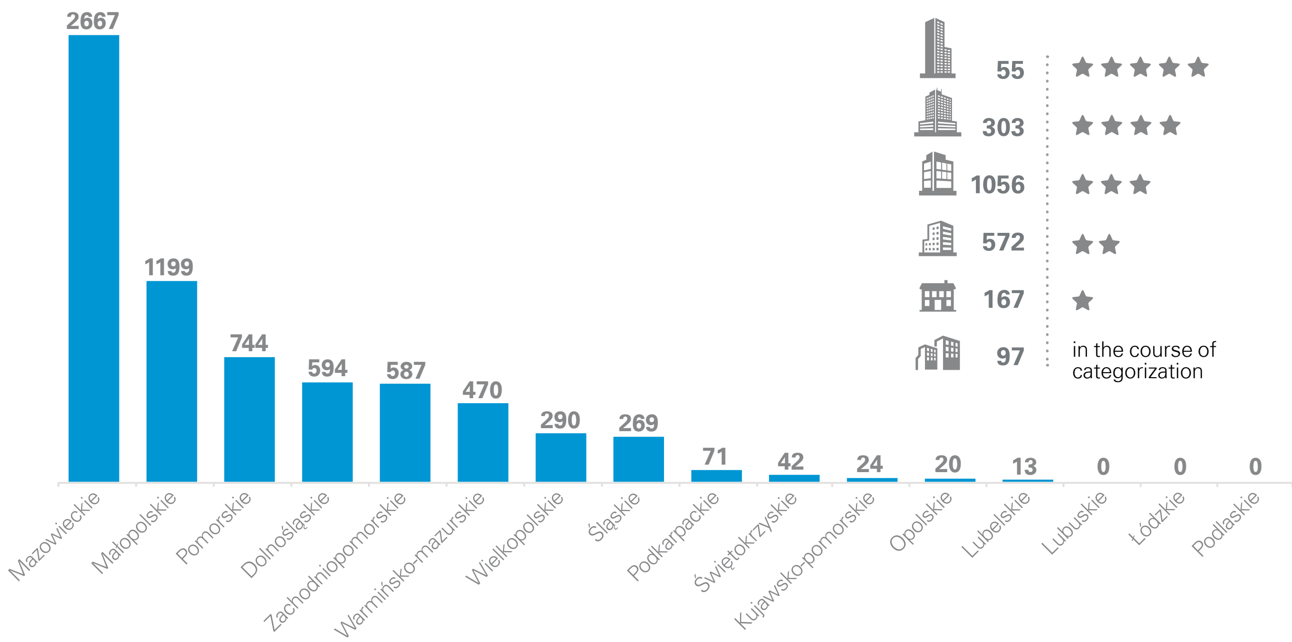
Registration of new luxury model cars (in units)



CAGR – Compound Annual Growth Rate
Source: Analysis by KPMG in Poland based on PZPM/CEP data; (p) – projection

PLN **1,300** million
value of the **hospitality and spa** market in Poland

Number of 5* hotel rooms per voivodship (2014)



Number of hotels in Poland (2014)

55 ★★★★★
303 ★★★★
1056 ★★★
572 ★★
167 ★
97 in the course of categorization

Source: Analysis by KPMG in Poland based on GUS data

PLN **1,134** million
value of the luxury **real estate** market in Poland

		Number of transactions (annually)	Value of transactions (annually in PLN million)
Primary market	Apartments	160-180	440-460
	Houses	20-25	50-57
Secondary market	Apartments	25-35	50-60
	Houses	140-145	550-600
Razem			1 090-1 177

Source: Analysis by KPMG in Poland based on REAS data (primary market) and own analysis (secondary market)

PLN **154** million
value of the **yacht** market in Poland

Yachts registered in 2014: **994**

Of which motor yachts **733**

Of which sailing yachts: **261**

Yachts registered in 1st half of 2015: **380**

Of which motor yachts: **278**

Of which sailing yachts: **102**

Source: Analysis by KPMG in Poland based on Polish Sailing Association data

PLN **118** million
value of the **aeroplane and helicopter** market in Poland

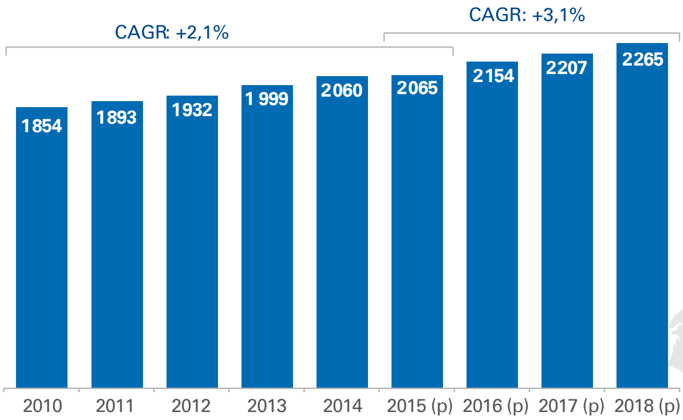
Aeroplanes:	in 2014	in 2015
Registered to companies	980	990
Registered to individuals	243	260
Helikopters:		
Registered to companies	168	181
Registered to individuals	9	12

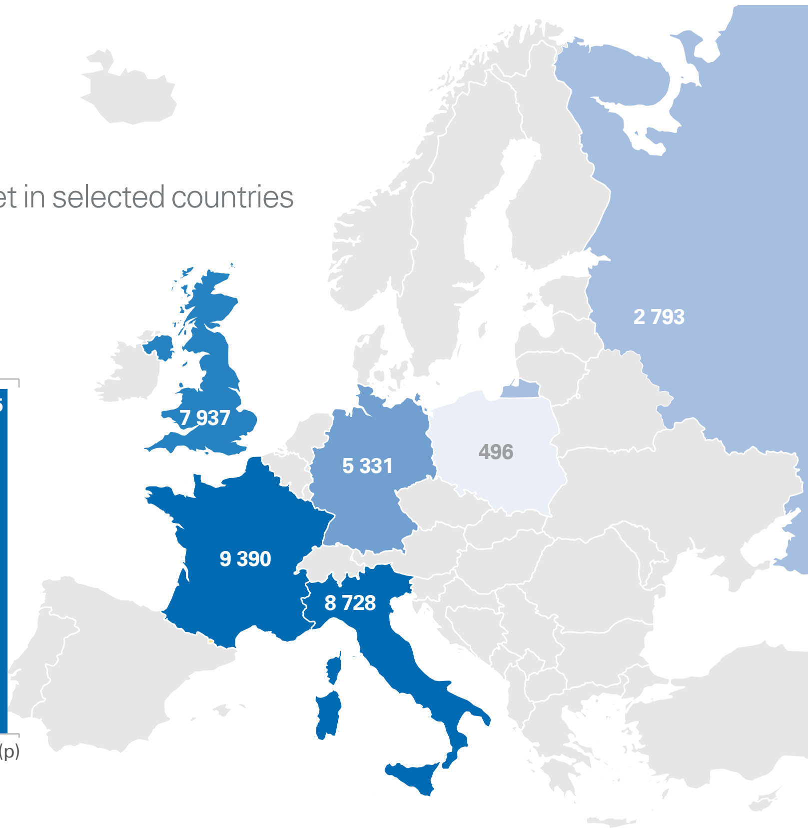
Source: Analysis by KPMG in Poland based on Civil Aviation Office data

Value of the luxury **clothing and accessories** market in selected countries

(total value in million EUR, 2015)

Value of the market in Poland (total value in PLN million)



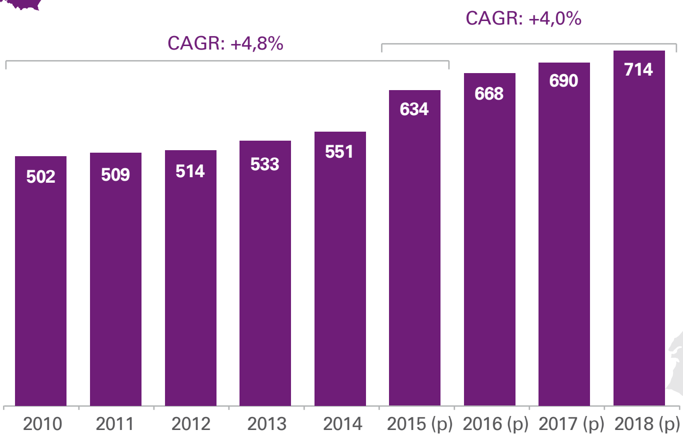


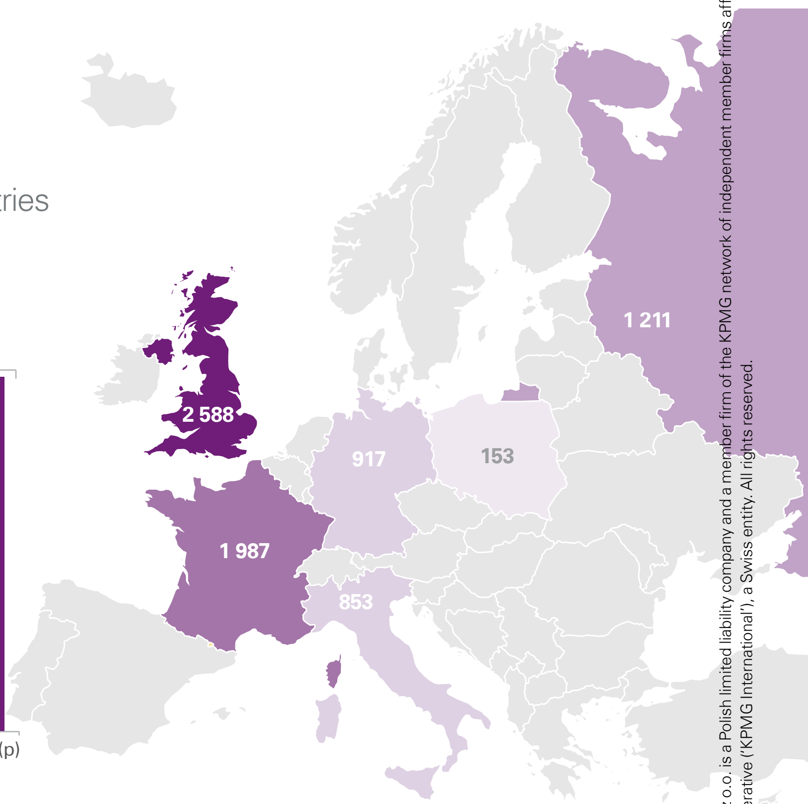
CAGR – Compound Annual Growth Rate
Source: Analysis by KPMG in Poland based on Euromonitor International data and projections; (p) – projection

Value of the luxury **spirits** market in selected countries

(total value in million EUR, 2015)

Value of the market in Poland (total value in PLN million)



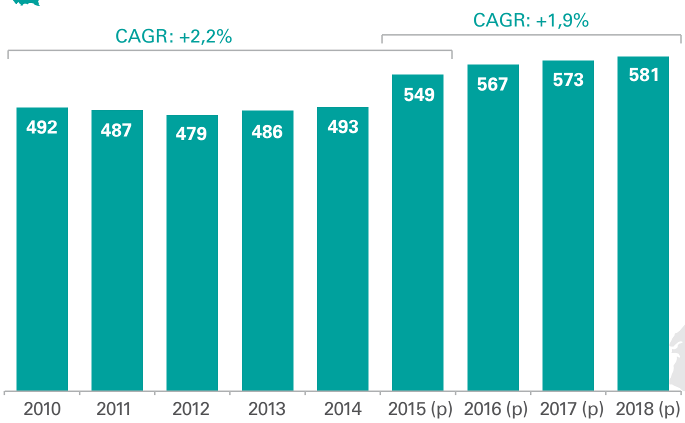


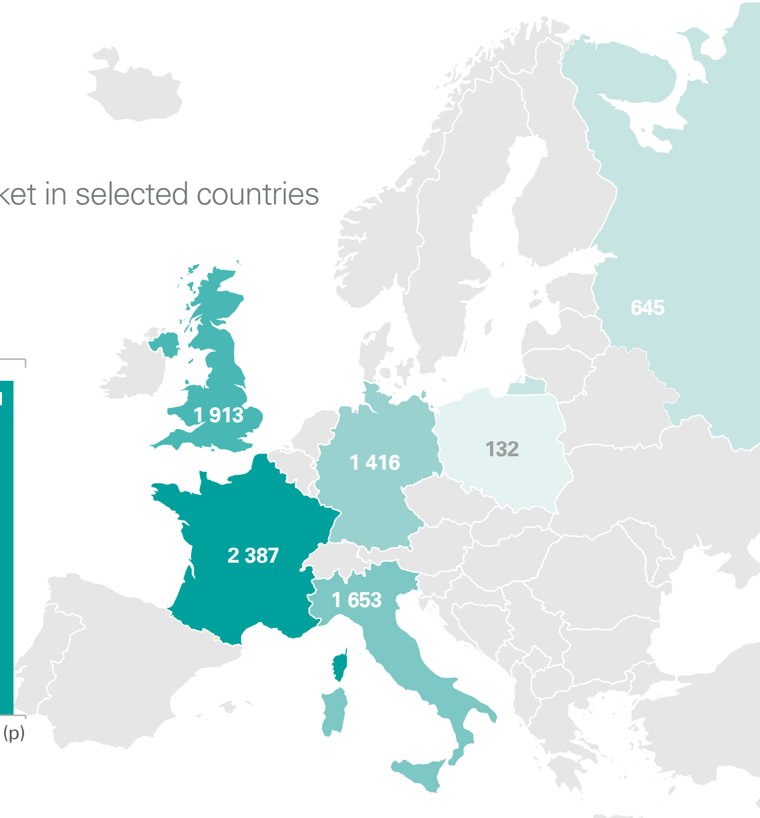
CAGR – Compound Annual Growth Rate
Source: Analysis by KPMG in Poland based on Euromonitor International data and projections; (p) – projection

Value of the luxury **cosmetics and perfumes** market in selected countries

(total value in million EUR, 2015)

Value of the market in Poland (total value in PLN million)





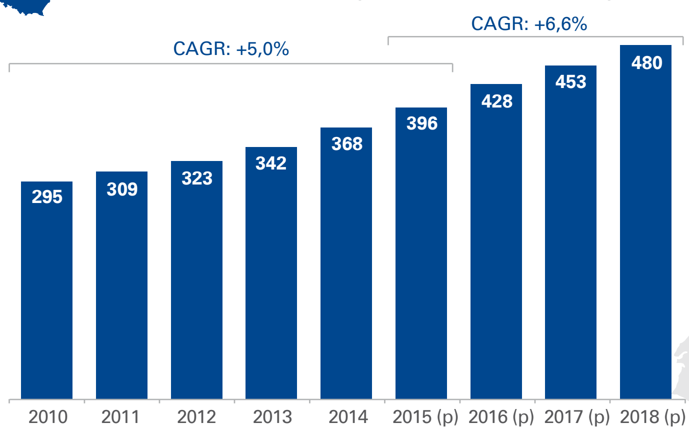
CAGR – Compound Annual Growth Rate

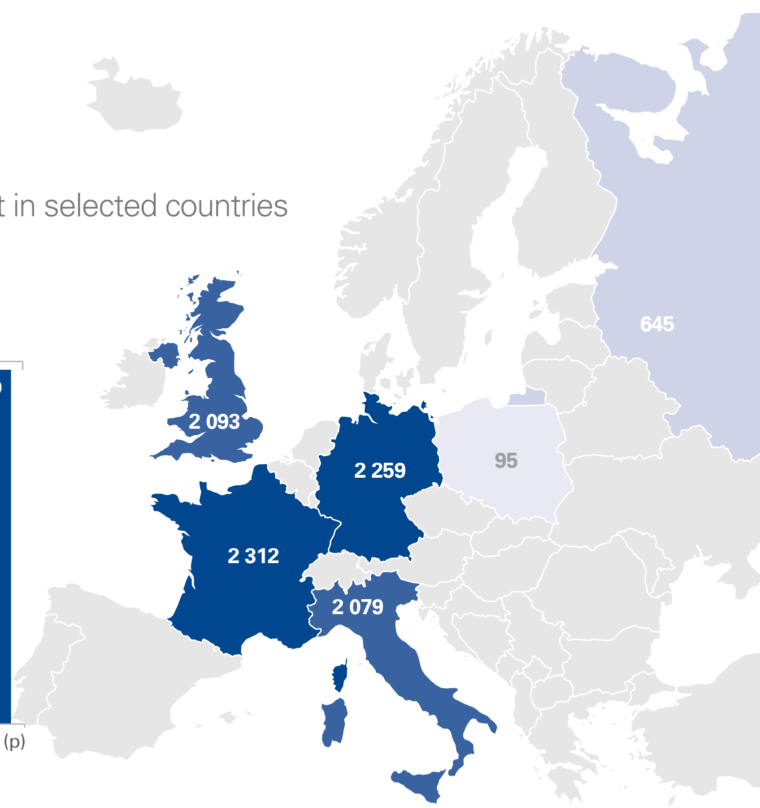
Source: Analysis by KPMG in Poland based on Euromonitor International data and projections; (p) – projection

Value of the luxury **jewellery and watches** market in selected countries

(total value in million EUR, 2015)

Value of the market in Poland (total value in PLN million)

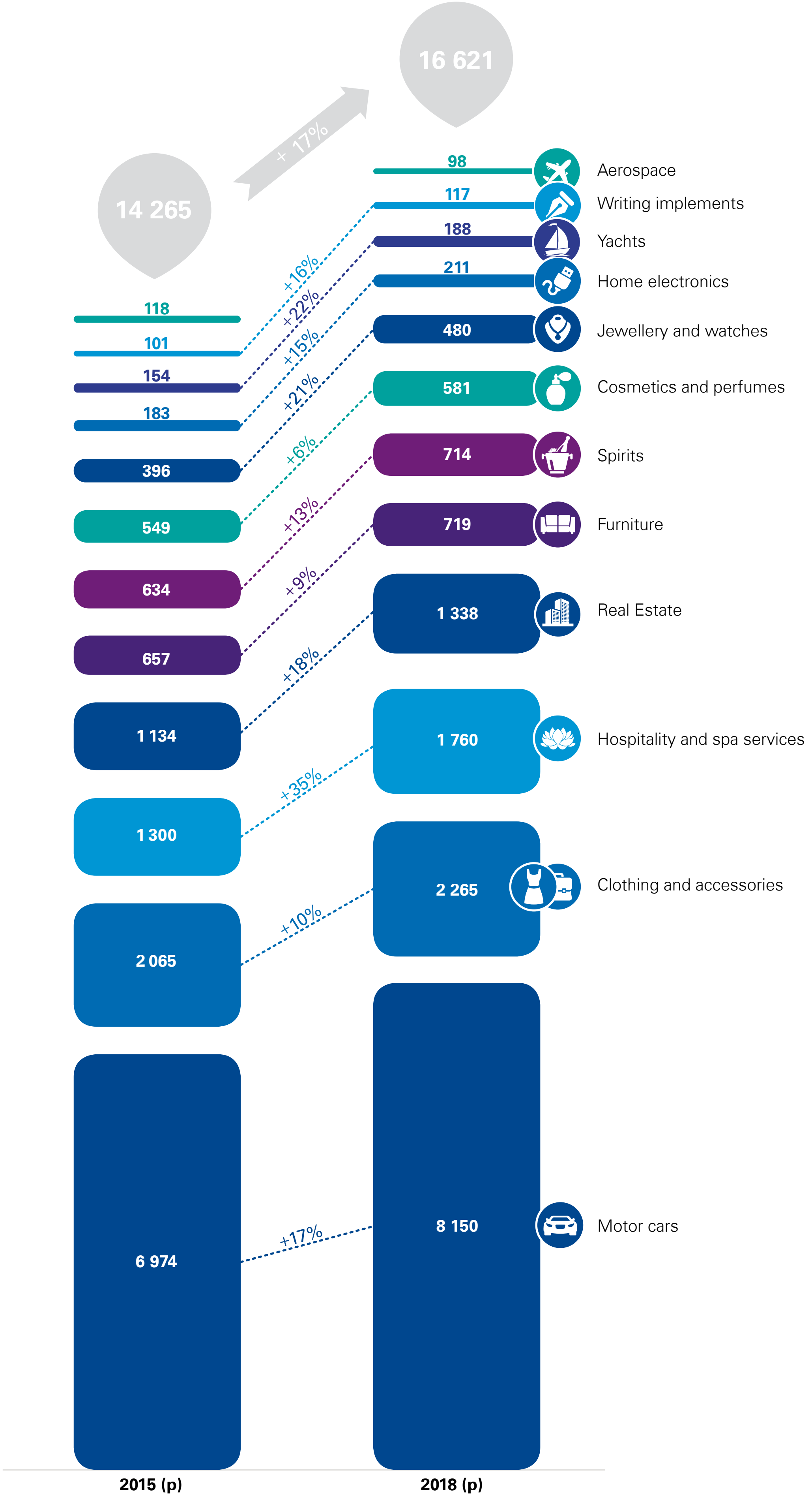




CAGR – Compound Annual Growth Rate

Source: Analysis by KPMG in Poland based on Euromonitor International data and projections; (p) – projection

Value and structure of the luxury goods market in Poland (in PLN million)



Source: Analysis by KPMG in Poland based on Euromonitor International, BMI, GUS data; (p) – projection

4 Polish premium and luxury brands – general analysis

Global brands, such as Chanel, Gucci, Dior, Louis Vuitton, or Rolex are universal synonyms for luxury. They are associated not only with beautiful design and the highest quality, but above all with prestige, an exclusive lifestyle and high social status. Yet luxury does not always have to come from overseas; in recent years, Polish premium and luxury bands have made a mark on the national market, and some have also achieved success in global markets. A survey conducted by KPMG among affluent and rich Poles shows that the majority of respondents are familiar with at least a few Polish luxury and premium brands. The Polish origin of a brand is generally perceived as a positive characteristic and an incentive to buy.

4.1 Recognition of Polish brands amongst affluent and rich Poles

Luxury 'Made in Poland' is a relatively new notion, yet in many market segments, the presence of Polish premium and luxury brands has become stronger over recent years. In the case of clothing, Polish accents are evident in the shape of fashion designers and exclusive brands, such as La Mania or Emanuel Berg. The Polish cosmetics industry can also boast some success and has been represented in the prestigious Comité Colbert association since 2012 by the brand Dr Irena Eris. In the jewellery market, in addition to jewellery chains such as Apart, YES and W.KRUK, smaller jewellery workshops and independent boutiques also operate with success, complementing the trend for the personalization and customization of purchased goods. Brands like WITTCHEN, OCHNIK, and Kazar enjoy great popularity among the buyers of shoes and leather goods. Polish vodkas, among them Chopin, Belvedere, and Wyborowa are among the world leaders. The luxury yachts produced in Poland by the companies Sunreef Yachts, Galeon, or Delphia Yachts also enjoy great international success.

Are affluent and rich Poles, the potential buyers for high-end products, familiar with Polish luxury and premium brands? A spontaneous awareness survey (knowing the name of a brand without the aid of a list of

> The respondents often indicated companies whose products, according to all commonly accepted criteria, are rather not included among products from the so-called top shelf. This fact may mean that the definition of the premium sector is commonly understood to be quite broad.

brands) shows that each segment is dominated by two to four brands. It is worth noting that the respondents often indicated companies whose products, according to all commonly accepted criteria, are rather not included among products from the so-called top shelf. This fact may mean that the definition of the premium sector is commonly understood to be quite broad. It was also shown that the survey subjects were often not aware which premium and luxury brands originate in Poland – the spontaneous responses included numerous references to international brands.

An aided awareness survey (recognizing brands from a list of suggestions) shows that almost every respondent knows at least one of the premium or luxury brands surveyed in each segment, with the exception of yachts, and hospitality and spa services. The low recognition of hotels is a function of the strong regional characteristic of this sector. The lowest recognition is that of Polish yacht brands – this is a result of the unusualness of the product, which has a very small community of buyers among Poles. Only every fourth respondent recognized at least one of the Polish boat builder brands.

The number of brands recognized on average by one respondent was highest in the case of spirits (respondents recognized on average 5 brands), and was high in the footwear and leather goods as well as the clothing categories (both segments showed an average of 4). In all of these categories, several brands demonstrated above-average recognition. However, in the cosmetics segment, the dominance of one brand (Dr Irena Eris) is evident, whereas in the jewellery and watches segment, three brands dominate (Apart, W.KRUK and, to a lesser extent, YES).

Segment	Clothing	Footwear and leather goods	Jewellery and watches	Cosmetics and perfumes	Spirits	Hospitality and spa	Yachts
Percentage of respondents recognizing at least 1 brand (aided awareness)	98%	97%	98%	93%	97%	79%	25%
Percentage of respondents recognizing at least 3 brand (aided awareness)	68%	78%	66%	26%	87%	42%	3%

Source: Analysis by KPMG in Poland based on consumer research

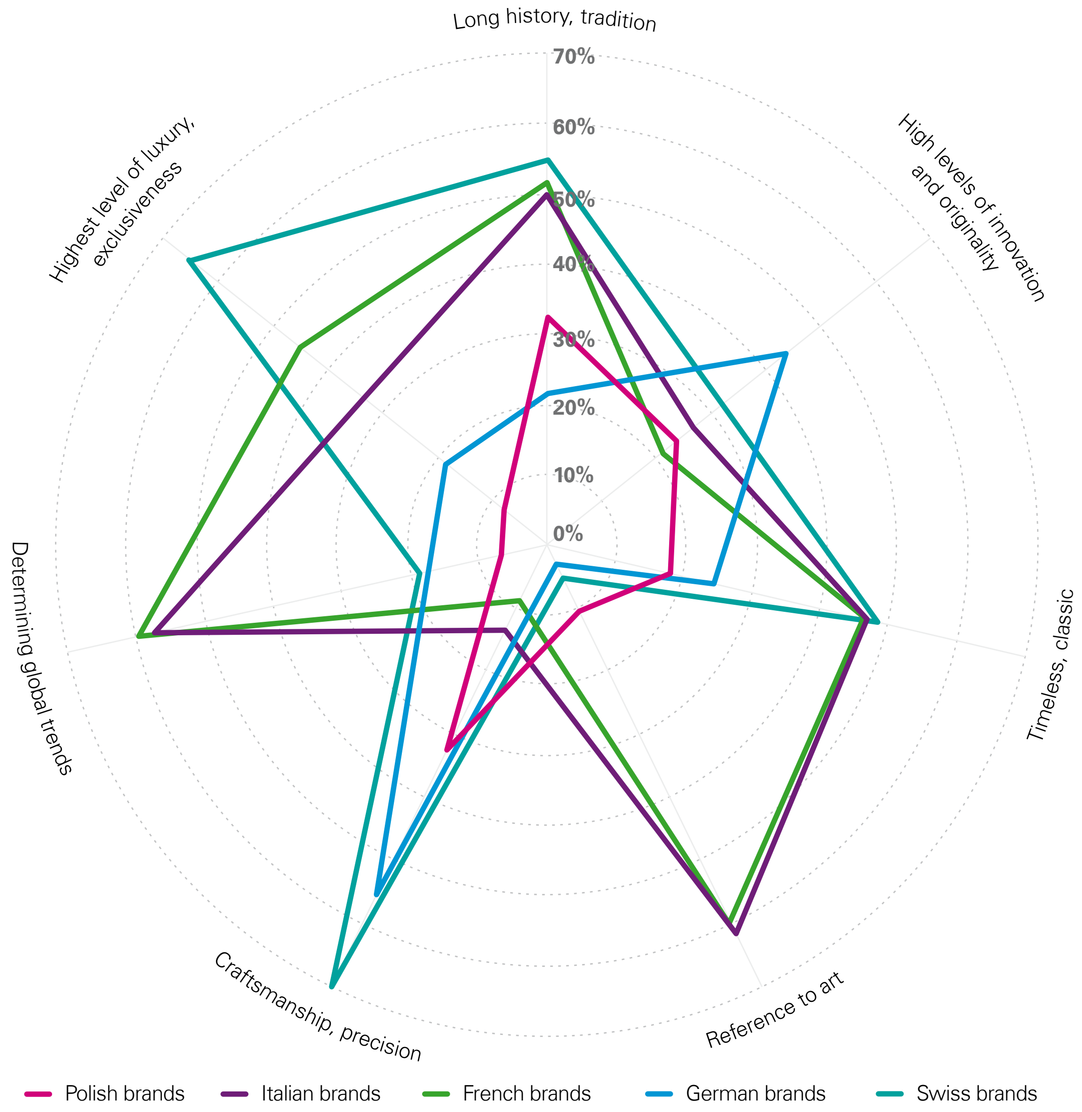
The brands surveyed are usually described by Polish buyers as premium brands – luxury does not represent a characteristic commonly ascribed to them. This may lie in the treatment of 'premium' and 'luxury' as synonymous by some respondents, but also in the assessment of Polish brands by Western European standards and comparing them, for instance by price, with international luxury brands.

4.2 The Perception of Polish brands by affluent and rich Poles

The designation 'Made in', in the case of luxury and premium goods, undoubtedly influences potential buyers strongly, eliciting particular connotations or shaping certain expectations with respect to a product. In the scope of this year's survey, KPMG in Poland studied the associations of affluent and rich Poles with brands originating in Poland and other selected European countries.

It was shown that German brands distinguish themselves with high levels of innovation and originality (44% of indications) and also craftsmanship and precision (55%). Six in ten of the affluent and rich Poles surveyed declared that premium and luxury goods from Italy and France determine global trends and distinguish themselves with artistic references. Moreover, for about half of the respondents, Italian and French brands are associated with a long history and tradition. The highest level of luxury and exclusivity are common

Which characteristics suit particular premium or luxury brands, considering their country of origin?



Source: Analysis by KPMG in Poland based on consumer research

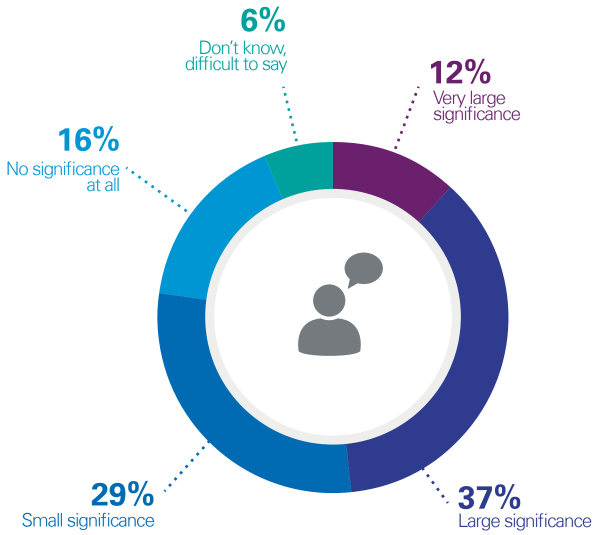
associations with Swiss brands (65% of respondents).

In keeping with the idiom 'running like a Swiss watch', products from Switzerland are also associated with precision and accuracy (70%).

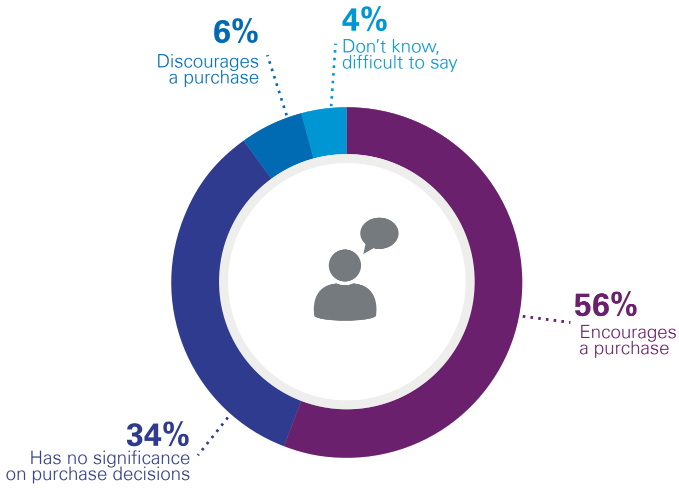
Polish brands do not elicit strong associations among respondents. In the case of the remaining countries, the strongest areas were indicated by 55 to 70% of respondents, whereas in the case of Polish brands, the strongest characteristics were identified only by one third of respondents. The dimensions distinguishing the label 'Made in Poland' against the background of other areas are a long history and tradition (products of Polish origin fared better here than German ones) and also craftsmanship and precision – in this respect Polish brands outdid Italian and French brands.

Can associations with a given country of origin have a fundamental influence on the purchasing decisions of buyers of luxury and premium goods? It turns out that the answer is yes. Almost half of affluent and rich Poles declare that the label 'Made in' has a large or very large significance when buying premium and luxury brands. Only 16% claim that the country of origin of a brand has no significance for them. The survey also shows that 56% of respondents positively regard the Polish roots of premium and luxury brands – this information even encourages them to make a purchase. Only a few (6%) claim that a Polish origin discourages them from a purchase.

What significance does the country of origin of a brand have for you when buying premium or luxury brands?



Does the fact that a given premium or luxury brand originates in Poland encourage or discourage you from making a purchase?

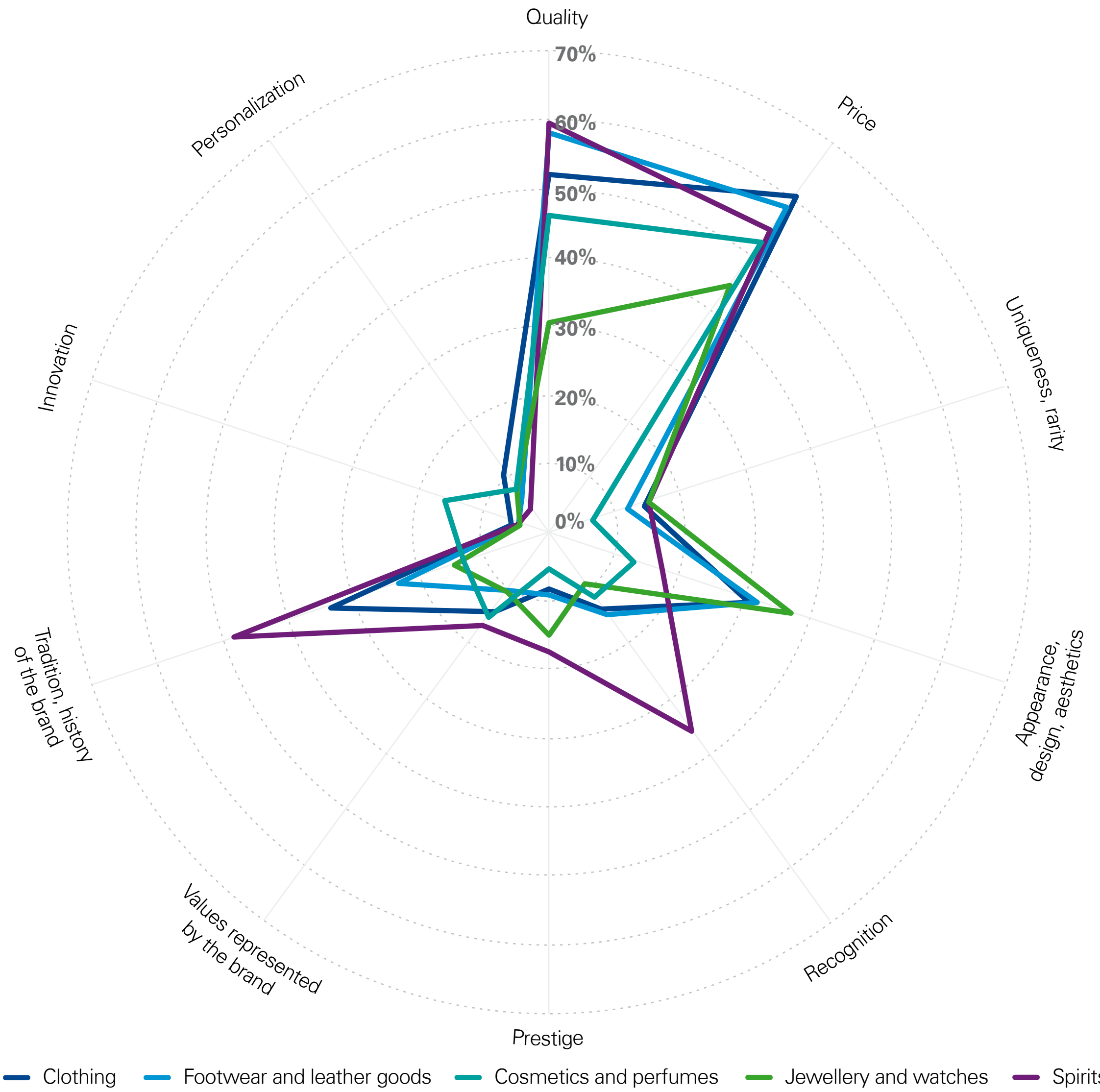


Source: Analysis by KPMG in Poland based on consumer research

The results of the KPMG in Poland survey confirm that there are certain areas where Polish premium and luxury brands have an advantage over their foreign counterparts. The research concerned five distinct segments: clothing, footwear and leather goods, spirits, jewellery and watches, and cosmetics and perfumes. The distinguishing factors for the majority of segments are quality and price (this applies to jewellery and watches to a lesser degree). About one third of the Poles surveyed positively evaluated the design and aesthetics of Polish premium and luxury brands in the segments: clothing, footwear and leather goods, as well as jewellery and watches. In comparison to other branches, Polish spirits enjoyed the highest recognition with respect to foreign brands (36%). Moreover, almost half of the respondents think that Polish brands in this category positively distinguish themselves with respect to tradition and history.

It is worth noting, that in the case of the category 'uniqueness, rarity', in none of the surveyed segments were Polish brands assessed better than their foreign counterparts. There is no doubt, however, that the marketing trend of personalizing premium and luxury products is growing. This area represents a potential direction for the development of Polish brands, which might present an interesting distinction to their offer.

In which of the categories named do you evaluate Polish premium and luxury brands as superior to their foreign counterparts?



Source: Analysis by KPMG in Poland based on consumer research

4.3 Sources of information about Polish brands

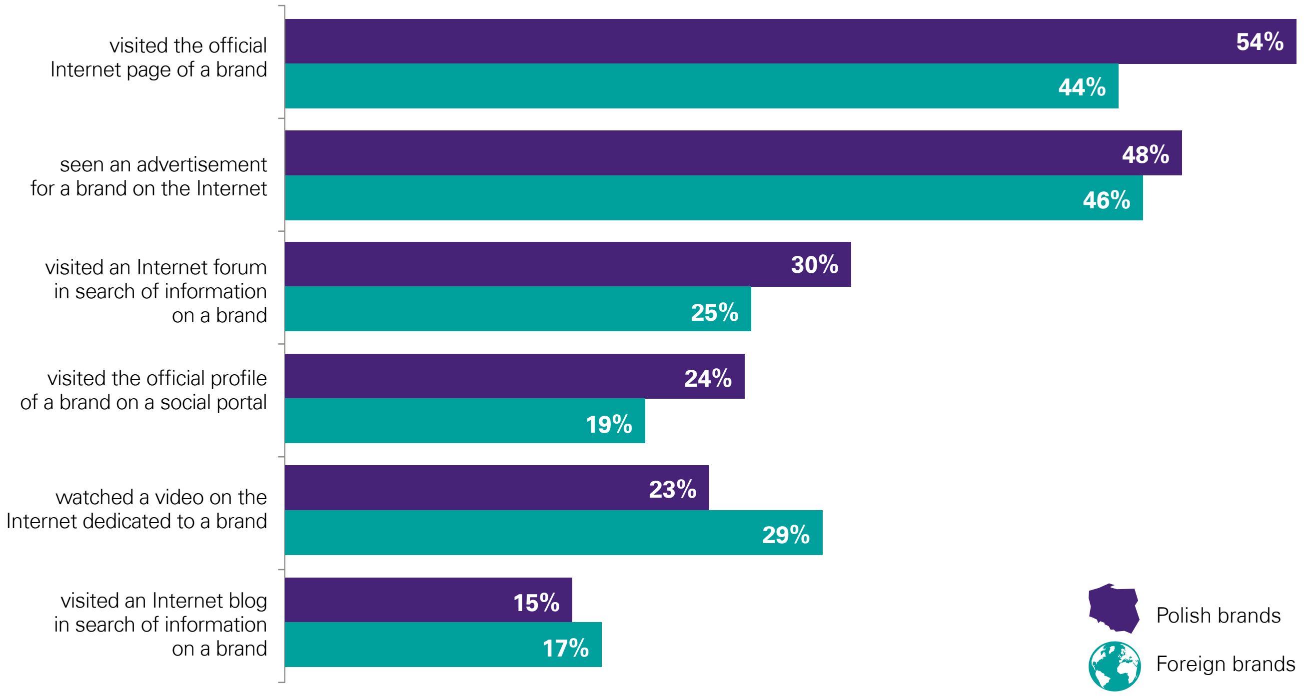
In the survey conducted among affluent and rich Poles, we examined from which sources potential buyers of luxury goods in Poland gain their information about Polish brands. The survey results show that, in every segment, the most commonly indicated source of information is the Internet (the only exception is spirits). The Internet has a dominant significance in the case of hospitality and spa services, including the use of portals that offer not only the opportunity to search and book accommodation, but also the possibility to see the opinions and reviews of users. In searching the Internet for information on Polish premium and luxury brands, users most frequently accessed the official websites of the brands. One of the key actions from the point of view of promoting a premium or luxury brand is the establishment of ties between the client and the brand. In this case, communication channels that allow a direct dialogue with potential buyers are of particular interest. One quarter of respondents had visited the profile of a Polish premium or luxury brand on a social portal within the last six months, 30% visited an Internet forum in search of information about Polish brands, and 15% a blog.

As the role of the Internet grows, the value of traditional media diminishes: respondents declared relatively rarely that they use television or radio as a source of information on the subject of Polish brands. Only in the cases of clothing, and footwear and leather goods, were traditional media indicated by more than 40% of respondents.

For people booking accommodation over the Internet, quick access to information, the possibility to verify the availability of rooms and the price of accommodation are very important. The ability to make a preliminary selection of luxury hotels and those that only fulfil the standards of a five-star hotel is also essential.

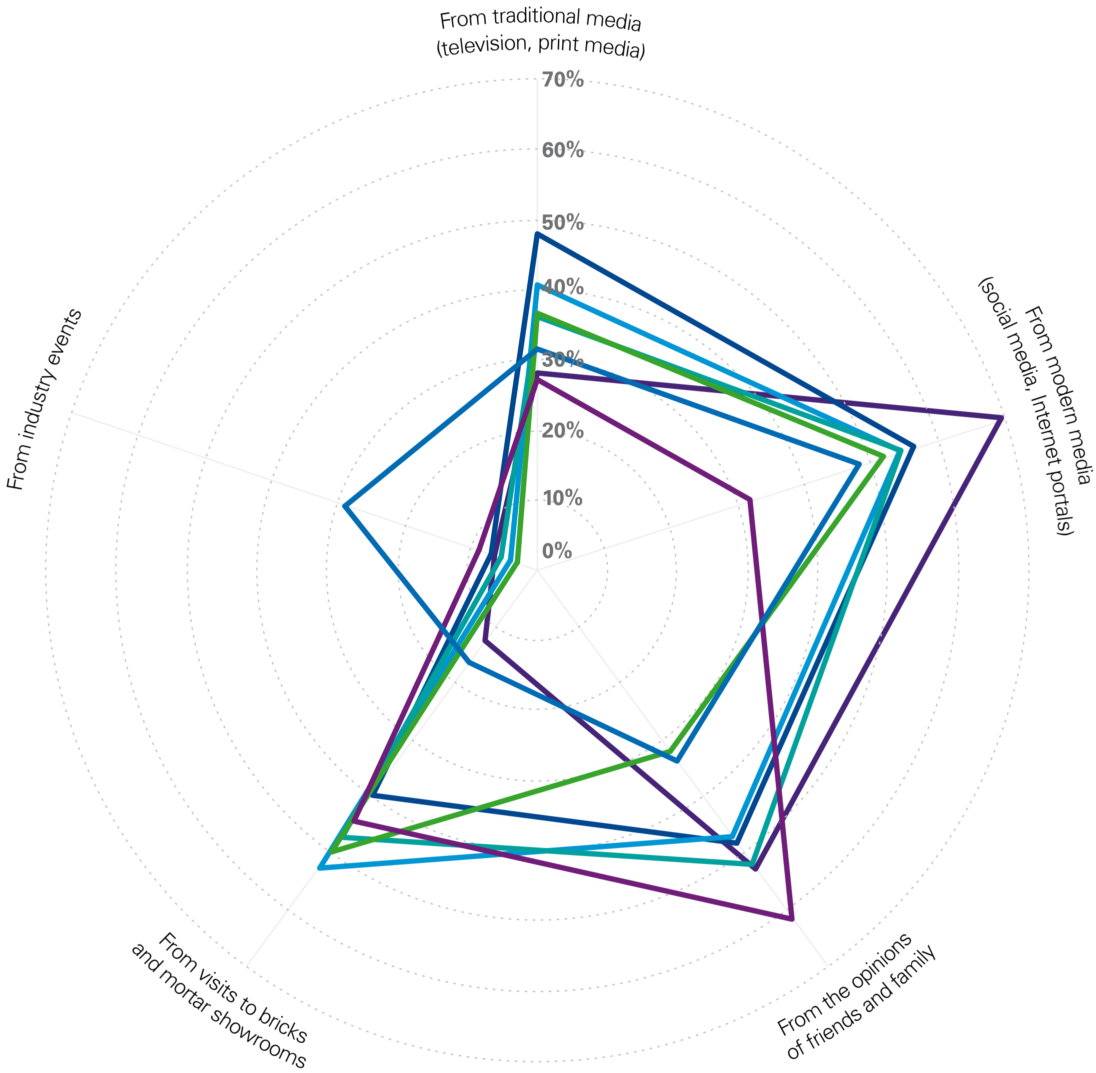
Joanna Wilgierz
Director of Hotel Copernicus

In the last six months, have you…?



Source: Analysis by KPMG in Poland based on consumer research

From where do you obtain information about Polish premium and luxury brands?



Source: Analysis by KPMG in Poland based on consumer research

> *The Internet represents an essential element of the purchase path of a client who aims for premium products. It supports him at every possible stage of his 'journey': as a source of information, a method of building knowledge about the product, a purchase channel, and frequently as a medium for obtaining after-sales service.*
>
> **Małgorzata Olszewska**
> Strategic Director,
> Vice-President Kazar Footwear

4.4 Point of purchase of Polish brands

In the case of the premium and luxury goods market, sales showrooms play a particularly important role. They are a place for the presentation of products and they provide the opportunity to consult with a professional sales assistant. For many clients, a visit to an exclusive showroom is a pleasant experience in itself and an important part of the purchase process. Far and away the most commonly indicated point of purchase of Polish premium and luxury brands are showrooms in shopping centres. This applies to all of the surveyed segments (in light of the nature of the industry/product, this does not include yachts and hotels), and most of all to footwear and leather goods and clothing. In these categories, inspecting and trying on the products before buying is particularly important, which reflects on the popularity of bricks and mortar points of sale.

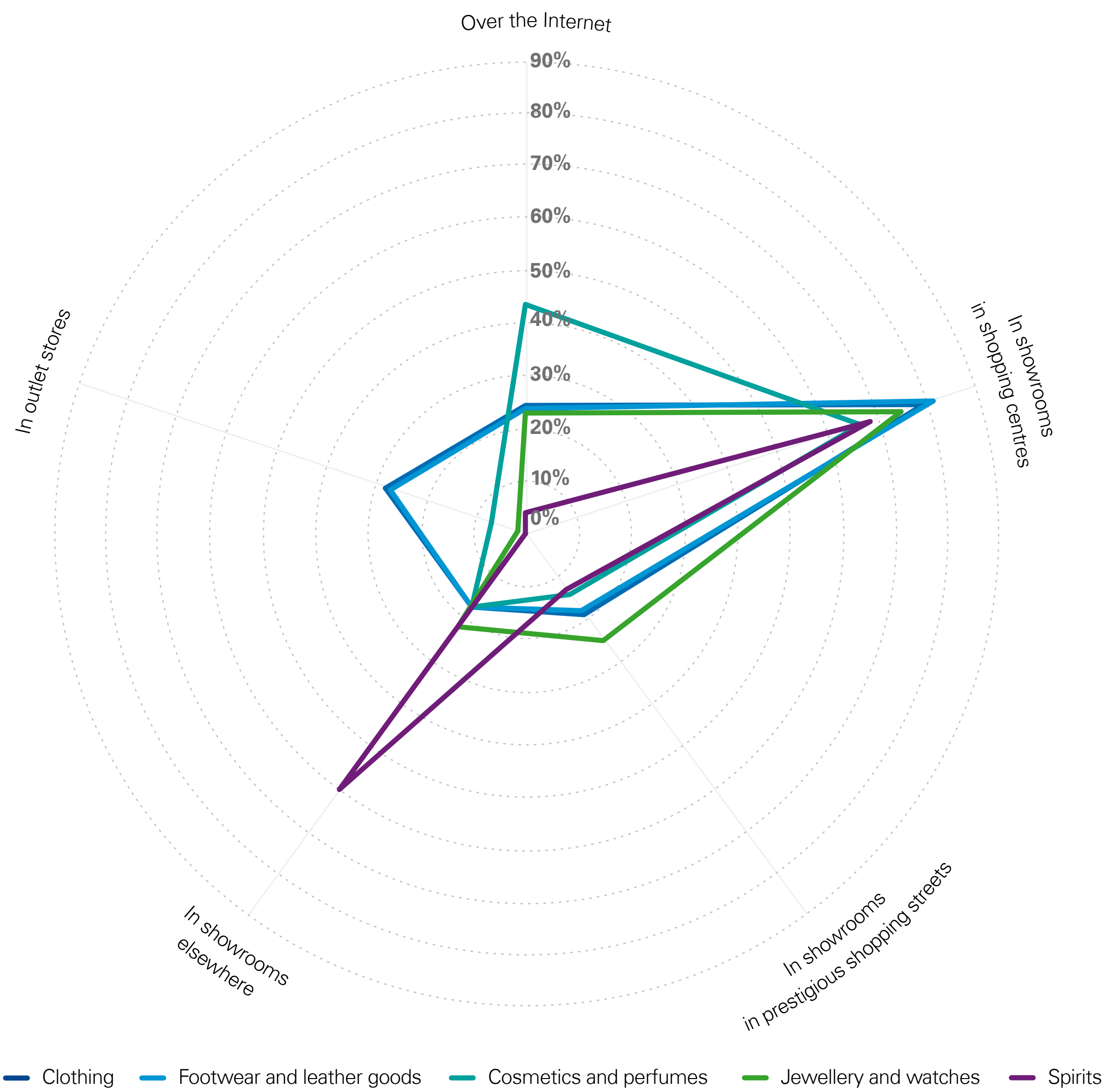
Interestingly, respondents seldom select showrooms located in places other than shopping centres (with the exception of spirits). This is connected above all to the small number of prestigious high streets, when compared to Western countries. Their lack is compensated to a certain extent by the existence of exclusive shopping centres, where there are showrooms and boutiques offering mainly top-shelf products. It bears mention that in the case of clothing, and footwear and leather goods, over one quarter of respondents declared that they buy products from Polish brands in outlet stores. This may mean that, in Poland, a quite significant portion of buyers of premium and luxury products have a pragmatic approach to them – they look for the best possible quality at a reasonable price, sacrificing in return the prestigious surroundings that accompanies shopping in showrooms.

With respect to clothing, footwear and leather goods, and jewellery and watches, more or less one in four affluent or rich Poles admits that they buy Polish brands mainly over the Internet. In the case of perfume and cosmetics, 43% of respondents said the same. On the basis of the respondents' answers, conclusions can be reached regarding the reasons for why they select Internet shopping. In first place comes price – 60% use the Internet to compare the prices of Polish premium or luxury brand products, and 47% actively look for price reductions for these products. In both cases, the figures are somewhat lower for foreign brands.

Premium and luxury goods are specific goods; a client interested in them demands exceptional treatment. The Internet facilitates communication, but nothing will replace direct contact.

Ewa Kot
Public Relations Manager,
Delphia Yachts

Where do you usually buy Polish premium and luxury products?



Source: Analysis by KPMG in Poland based on consumer research

Do you use the Internet to...?

Source: Analysis by KPMG in Poland based on consumer research

The development of the luxury goods market affects the boom of the High Street segment in Poland. We observe an increased interest from world-renowned brands, hitherto absent in Poland, and from those from a somewhat higher shelf, who desire to open flagship stores in Warsaw shopping streets, where they will be able to build their recognition appropriately. The growth of this sector will naturally be influenced by the growing popularity of home-grown brands offering prestige products, looking for the highest quality locations, very different to the traditional shopping centre. We are convinced that, in the coming years, Polish luxury clothing, cosmetics, or gastronomy companies will gain popularity not only in Poland, but all around the world. Furthermore, we see an analogy between the Warsaw luxury goods market and that of Milan 20 years ago, which grew dynamically – we hope that Warsaw goes down that same road, and will do it even faster. Prestige brands, when selecting locations for their showrooms, are chiefly guided by the commercial and visual potential of the location. Among the most eagerly selected destinations, for years Warsaw's Plac Trzech Krzyzy has been very successful and, following the implementation of the city 'New Warsaw Centre' programme, has gained additional significance.

Maciej Zajdel

Member of the Board, Kulczyk Silverstein Properties

Polish premium and luxury brands around the world

Some Polish brands achieve significant success not only in the country, but also in international markets. The high quality of products on offer and the care taken in their manufacture enable Polish companies to operate beyond the borders of Poland and gain a stable position in the world luxury goods market.

It is worth taking a look at the clothing segment, which is dynamically growing in Poland. Despite high fragmentation and the niche quality of some luxury clothing brands, we can observe an increase in their presence overseas. For example, the La Mania brand is sold in department stores in Great Britain and also in Italy, and Solar cooperates with numerous partners and franchise locations in, for instance, Germany, Luxembourg, and Great Britain. Polish designers, such as Ewa Minge, Paprocki & Brzozowski, or Gosia Baczyńska, can boast ever greater recognition beyond the country's borders, as their clothes are sold in boutiques all over the world.

In the context of success in the international cosmetics market, the Dr Irena Eris company deserves particular credit. Since 2012, as the only Polish brand, it has been a member of Comité Colbert – a French association of luxury brands, which has companies such as Chanel, Dior, Louis Vuitton, or Hotel Ritz amongst its members. Dr Irena Eris is the only cosmetics brand in this group that is not French.

The international yacht market has a rather specific nature. Owning a yacht remains beyond the capabilities of most Poles. For this reason, about 95% of our country's productions goes to foreign markets. The leaders are brands such as Sunreef Yachts, Galeon, and Delphia Yachts.

Footwear and leather goods with the label 'Made in Poland' are also increasingly valued by customers in many countries. Polish premium and luxury brands in the leather good and footwear sector often have bricks and mortar showrooms or their own official representatives overseas. For example, the company WITTCHEN has its shops in several Central-Eastern European cities including Prague, Moscow, Vilnius, Kiev, and L'viv. In turn, the Gino Rossi group has had showrooms in Germany for several years, and is currently entering the market in the Czech Republic, Slovakia, and Hungary. Another interesting example is Kazar, which, thanks to the activities of franchisees, entered the market in the United Arab Emirates. Beginning operations in an Arab country required numerous preparations, including eliminating products made from pig leather from the product range, yet the brand currently plans to open further showrooms in the region.

When writing about Polish brands in international markets, it is impossible to avoid the premium and luxury spirits segment.
In the eyes of consumers, including those from overseas, Polish vodkas distinguish themselves from international brands by their high quality, tradition, and history. Examples of Polish vodkas that have an international market presence are Belvedere, Chopin, and Wyborowa. Without doubt, this has benefited from the international advertising campaigns of Chopin and Belvedere, where their Polish roots and the long history of Polish distilling were acclaimed. Another example of building the presence of Polish spirits in international markets is the film production 'Spectre', in which the Polish vodka Belvedere is an ingredient of James Bond's famous Martini.

In the jewellery and watches segment, it is worth mentioning the brand Apart, which a few years ago acquired the Swiss company Albert Riele, and has entered the international market with its collection of watches.

It is certain that Polish premium and luxury brands will continue to expand into international markets. Many of the brands surveyed by KPMG have plans in this direction. At the same time, the companies emphasize the existence of several serious obstacles, which need to be overcome. One barrier may be the image of Polish brands in international markets. The owners of national companies point to cultural differences and the diverse realities of running a company in an international market, as well as the stereotypical attitude of Western European customers towards Polish products. An exception is the spirits business – the Polish origin in the example of vodka is associated with high quality and a long tradition. Irrespective of the segment, a serious obstacle is the presence of vast international corporations, which present daunting entry barriers to global markets. However, the numerous achievements of our home-grown companies are evidence that the expansion of Polish brands into international markets is possible and often meets with success.

Customization: The future of premium and luxury brands?

The trend for customization of products or services plays a specific role in the premium and luxury goods market. In the age of mass industrial production and striving for a continual minimization of costs, the 'bespoke' formula accentuates the exceptionality and exclusiveness of the offer.

An embroidered or engraved monogram, perfectly matched measurements, or maybe the selection of a favourite colour or design? The consumer engages in the product creation process more and more, thanks to which he has the opportunity to realize his own ideas and visions. This modern approach to the client incorporates great possibilities for development in the case of premium and luxury goods, which by definition represent a form of expressing the buyer's status. Luxury is denoted therefore, not only by a high price, quality, or rarity, but also by the uniqueness of the product, modified to suit individual preferences and expectations. Polish premium and luxury brands from many segments have noted the potential of this marketing direction.

The trend for individualizing orders is growing, particularly in the fashion industry. For example, the Polish company Novvak Jewellery offers personalized luxury jewellery. Rings, ear-rings, or necklaces are created in the course of direct work with the designer, Marcin Nowak, who, on the basis on the ideas and instructions of the client, creates a 3-D model of the item. Following consultation with the buyer, the project is finished in the workshop. Another example is the handicraft showroom of Jan Kielman in Warsaw, which, for over one hundred years, has specialized in the process of hand-sewing footwear according to the individual needs and expectations of the client. The stages of producing a pair of shoes include measuring the foot, cutting the sole, fixing the heel, and finally finishing and polishing. This time-consuming sewing process enables the creation of a perfectly fitted shoe.

This personalization trend may also revolutionize the cosmetics market. Experts note that the effectiveness of a cosmetic depends among other things on matching it to the requirements of the skin, its age and condition, the environmental conditions in which a given person abides and their lifestyle. Mass production will never take account of all of the individual needs of clients, who differ with respect to skin type, susceptibility to allergies, and discolouration or preferences regarding fragrance. By the use of advanced diagnostics and a detailed interview with the client, it is possible to create a formula of a personalized cosmetic. Salons, where the buyer can compose his own scent, under the watchful eyes of qualified perfumers, are also an interesting proposition in this segment. This represents an alternative to classic perfumeries, where only readymade fragrances are available. One of the pioneers of personalized fragrance in Poland is Mo61 Perfume Lab, with its own main salon in Warsaw. The company imports particular fragrance bases from Grasse, the French town famous around the world for the production of natural aromas.

The yacht segment also presents an increasing level of personalization. In Polish boatyards, models are designed in such a way as to give the client as much freedom as possible; they decide about many of the fixtures and fittings, such as the shape of the windows or the number and designation of cabins. An advantage is the fact that the entire process takes place in Poland. This allows for control of every stage of building a yacht to order, from the design, through lamination up to the installation of engines and fittings.

The consumer engages in the product creation process more and more, thanks to which he has the opportunity to realize his own ideas and visions. This modern approach to the client incorporates great possibilities for development in the case of premium and luxury goods, which by definition represent a form of expressing the buyer's status.

5 Polish premium and luxury brands – segment analysis

This chapter presents an analysis of those segments of the premium and luxury goods market in which the presence of Polish brands is significant. The analysis examined the spontaneous and aided awareness of Polish premium and luxury brands as well as questions such as the place of purchase or source of information about Polish brands. This analysis was supplemented by information provided by those companies that have Polish premium and luxury brands from the segments in question in their portfolio.

5.1 Clothing

5.2 Footwear and leather goods

5.3 Jewellery and watches

5.4 Spirits

5.5 Cosmetics and perfumes

5.6 Yachts

5.7 Hospitality and spa

5.1 Clothing

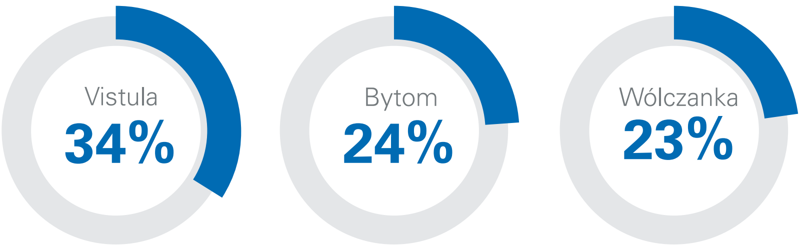
The premium and luxury clothing market in Poland is characterized by a high level of fragmentation. The most recognizable brands producing menswear include Vistula and Próchnik, and womenswear – La Mania, Solar, Simple, Hexeline, and Patrizia Aryton. The market for Polish designers is expanding dynamically, in which, according to people of above average income, the most recognizable brands are Maciej Zień, Paprocki & Brzozowski, Ewa Minge, and Gosia Baczyńska.

Polish premium and luxury brands from the clothing sector are systematically expanding their presence in international markets. One example may be the brand La Mania, whose products are sold in department stores in Great Britain and also in Italy, and Solar, which cooperates with numerous partners and franchise locations in, for instance, Germany, Luxembourg, and Great Britain.

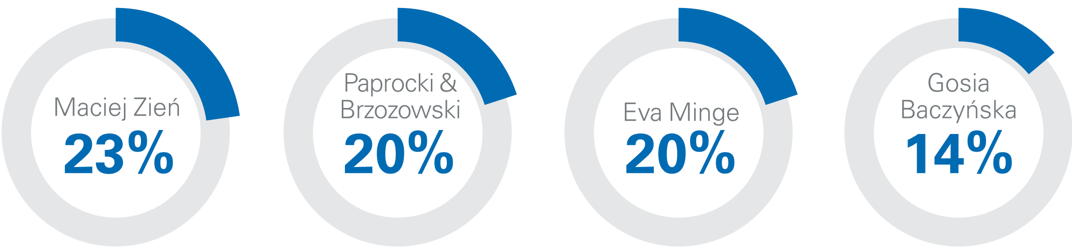
In general, the Polish firms included in the study positively assess the current situation in the industry and have an optimistic vision of the future. One obstacle on the path of growth that is mentioned is the limited group of buyers with the appropriate level of income. Companies also struggle with high labour costs and the high costs of commercial areas or locations of the appropriate quality. The most commonly indicated factors that distinguish Polish luxury brands in the clothing sector in comparison to their international competitors are quality, as well as complimentary opinions, and recommendations.

The KPMG survey shows that the Internet sales channel plays an extraordinarily important role for the clothing segment. Industry representatives underline the low cost of maintaining an Internet shop, ease of sale of older collections at a lower price, and also the convenience of clients, arising from the capability of a quick purchase and possible return of the goods.

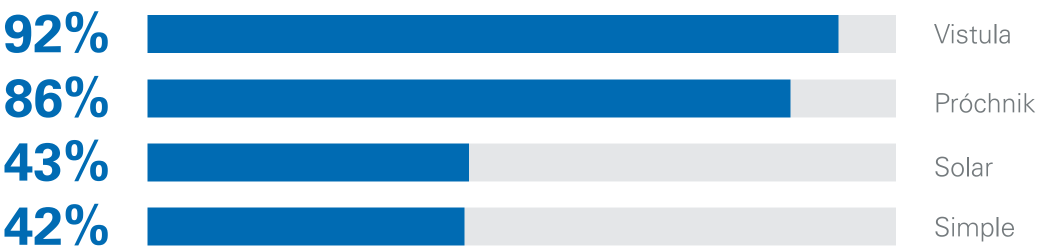
Most commonly indicated Polish premium and luxury brands in the clothing segment (spontaneous awareness)



Polish fashion designers



Most commonly indicated Polish premium and luxury brands in the clothing segment (aided awareness)



Ownership of selected Polish premium and luxury brands from the clothing segment

78%

of respondents own or have owned products fromat least one of the surveyed brands.

Source: Analysis by KPMG in Poland based on consumer and company research

The target for our collection is a financially independent woman, whose income places her in what is known as the upper-middle or upper class. The client of the solar brand is an emotionally mature woman, fulfilled in her personal and professional life. She demands the highest level of service, an attractive décor in the shop, and interesting product displays. From season to season, we also observe that shops are increasingly being visited by younger clients. We are focused on expanding the assortment available in our shops and reaching a wider group of clients, but we do not plan to expend our offer to other client groups in the immediate future.

Stanisław Bogacki
Chairman of the Board of Directors, Solar Company

> *In a short space of time, the Internet has become a key sales channel of luxury products throughout the world. Its role is increasing in Poland all the time, though the average price of a product bought online vs offline is still significantly lower.*
>
> **Joanna Przetakiewicz**
> Creative Director, La Mania

> *One of the main problems of Polish premium and luxury products that plan to expand beyond the borders of Poland is a lack of knowledge of foreign markets. It is still common to meet the attitude that 'the boss knows everything'. Currently, it is essential to make use of the experience of people familiar with the regional market.*
>
> **Michał Linke**
> Marketing Director, Emanuel Berg

> *The main areas of advantage of foreign premium and luxury brands over home-grown products concern above all the size of the available capital resources, strength of tradition and market experience. A direct result of this is the very high recognition and prestige, reinforced by incomparably higher financial outlays on marketing, advertising, and development of a distribution network on a global scale and not only on regional markets, which continues to be a characteristic dominating Polish brands.*
>
> **Erwin Bakalarz**
> Member of the Board of Directors, Vistula Group

Most important points of purchase for Polish premium and luxury brand products in the clothing segment

Most important sources of information about Polish premium and luxury brands in the clothing segment

57% Modern media

49% Opinions of friends and family

48% Traditional media (television, press)

40% Visits to bricks and mortar showrooms

Factors distinguishing Polish premium and luxury brands from their foreign counterparts in the clothing segment

Quality and opinions and recommendations according to companies

Price according to buyers

Source: Analysis by KPMG in Poland based on consumer and company research

5.2 Footwear and leather goods

Polish footwear and leather goods, i.e., bags and belts gloves, are valued by buyers in view of their high quality. National producers often use the same technologies and raw materials as global leaders in the leather industry.

The most recognizable brands in the Polish footwear and leather goods market are Gino Rossi and WITTCHEN. Among leaders in terms of recognition are also the OCHNIK brand, specializing in the design and sale of leather clothing and accessories, and the BATYCKI brand, producing above all bags, briefcases, and wallets. It is worth mentioning the small producers of luxury footwear and leather goods, known only to a narrow group of buyers. One such place on the map of Polish luxury is the handicraft showroom of Jan Kielman in Warsaw, which sews shoes to order according to traditional methods, fulfilling the individual orders of its customers.

The Polish premium and luxury companies surveyed in general assess the current situation in the industry positively, yet they point to certain obstacles to growth, including a small group of buyers with the appropriate level of income and the low level of interest in premium and luxury goods among affluent individuals.

Polish companies in this segment often have bricks and mortar shops overseas or official representatives in other countries, e.g. in Germany, in the countries of Central and Eastern Europe and also in Arab countries. Most of the surveyed companies have plans relating to further expansion.

Most commonly indicated Polish premium and luxury brands in the footwear and leather goods segment (spontaneous awareness)

Most commonly indicated Polish premium and luxury brands in the footwear and leather goods segment (aided awareness)

Ownership of selected Polish premium and luxury brands from the footwear and leather goods segment

82%

of respondents own or have owned products from at least one of the surveyed brands

Source: Analysis by KPMG in Poland based on consumer and company research

Foreign premium brands are basically brands with a long tradition. Unfortunately, in Poland we are still just learning and growing. This applies in particular to the fashion industry. The awareness of the client is different too, for example in the west, mothers teach their daughters to wear Chanel. Fashion houses represent years of tradition of craft and style, handed down over generations. Here, after the war, tradition was destroyed, we are only just learning to recognize the hallmarks of craft, style, and quality. After gorging on consumption and chain stores in the 1990s, we are gradually beginning to perceive other values, such as class, local products, and socially responsible business. A new generation is appearing on the market, who have never experienced the blight of communism and who cherish superior values.

Wojciech Chochołowicz
Marketing Director, Gino Rossi

Polish brands know and understand Polish realities and consumers. They are able to provide a higher or at least comparable quality offering at a more attractive price. The weak point of Polish brands is the lesser clout with respect to foreign brands belonging to globally significant corporations. Foreign brands, often with a much broader global reach, may also have a stronger brand effect.

Małgorzata Olszewska
Strategic Director, Vice President of the Board of Directors, Kazar Footwear

Most important points of purchase for Polish premium and luxury brand products in the footwear and leather goods segment

Most important sources of information about Polish premium and luxury brands in the footwear and leather goods segment

55%
Modern media

53%
Visits in bricks and mortar showrooms

47%
Opinions of friends and family

41%
Traditional media (television, press)

Factors distinguishing Polish premium and luxury brands from their foreign counterparts in the footwear and leather goods segment

Price and quality according to companies

Quality according to buyers

Source: Analysis by KPMG in Poland based on consumer and company research

> *According to the representatives of footwear and leather goods brands, three years ago, the main distribution channel was showrooms in luxury shopping centres. Today, multi-channelling plays an ever increasing role, that is the combination of traditional channels of reaching the customer with 'modern' ones. Since the Internet store represents an important complement to the distribution network for companies in the footwear and leather goods segment, in the opinion of the companies surveyed, multi-channelling will rise in the course of the next few years.*

Tomasz Wiśniewski
Partner, KPMG in Poland

> *Only a few years ago, the Internet was a technological curiosity, whereas today, it is difficult to imagine building a modern brand without a good website or e-shop. In the age of universal globalization and the digitization and virtualization of life, a brand that underestimates the role of the Internet, in the long term, is doomed. The Internet is a dynamic medium that is still growing. For many, it has become the basic source of information, communication, and entertainment. This trend can be expected to continue. At OCHNIK, we believe that the Internet is the future, and that is why we constantly search for new methods and opportunities to effectively harness its potential.*

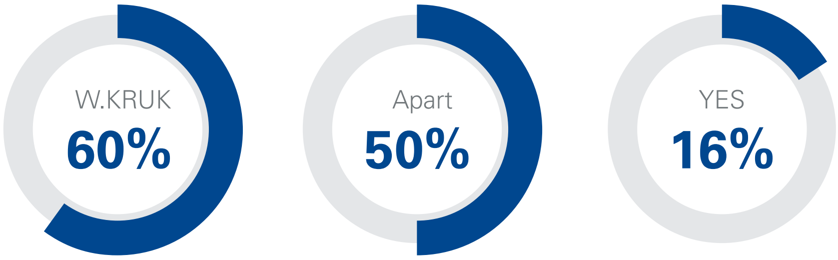
Monika Jedlińska
E-commerce & Web Manager
OCHNIK

5.3 Jewellery and watches

The jewellery and watches segment is the fastest growing segment in the premium and luxury goods market in Poland. Several Polish brands operate in this market, among which the most recognisable are the jewellery chains W.KRUK, Apart and YES. They offer both luxury products, with prices reaching tens or even hundreds of thousands of PLN, and goods from the premium sector, more accessible in terms of price. In addition to the brands mentioned, with a developed nationwide chain of showrooms, the market also contains smaller jewellery and watchmaking establishments that sell their luxury products via individual boutiques. An obstacle to expansion for these producers is, to a certain extent, the low recognisability of Polish brands in the jewellery and watches segment. On the other hand, the niche quality of a brand may be an advantage – the trend towards the customization and personalization of luxury products is noticeable even in Poland, and applies to the jewellery and watches segment to a particular degree.

According to representatives of Polish brands, the typical buyer of luxury jewellery are women between 25 and 40, whereas in the case of exclusive watches, the majority of clients are men between 40 and 60. The most important sales channel for Polish brands are show rooms in shopping centres and on prestigious shopping streets. With time, however, the Internet will play an increasing role. Among rich and affluent Poles who took part in the KPMG survey, 52% said that the most important source of information about Polish premium and luxury brands from the jewellery and watches segment is modern media (social media and Internet portals). They placed visits in bricks and mortar showrooms only in second place (50%). Over one fifth of respondents who possess products from Polish brands in this segment declared that they made the purchase over the Internet. Though it does not threaten the dominant position of traditional channels of distribution, the role of the Internet will continue to grow, not only as a method of communication with the client and promoting the brand, but also as a way of making a purchase.

Most commonly indicated Polish premium and luxury brands in the jewellery and watches segment (spontaneous awareness)



Most commonly indicated Polish premium and luxury brands in the jewellery and watches segment (aided awareness)

Ownership of selected Polish premium and luxury brands from the jewellery and watches segment

72%

of respondents own or have owned products from at least one of the surveyed brands

Source: Analysis by KPMG in Poland based on consumer and company research

Polish premium and luxury brands distinguish themselves with ever greater product quality, and importantly each of them is able to create its own unique image. The dominance of foreign brands is actually disappearing, since Polish brands are able to boast high quality products, the use of innovative technologies, world-class design and the use of the same marketing tools as foreign brands.

Monika Klejewska
YES, Marketing Department Manager

At Apart, from year to year, we observe increasing sales, we are growing and we are pleased with our results. The luxury jewellery products market is growing dynamically, there are ever more buyers of valuable jewellery and watches, which can represent a kind of investment or capital deposit. The Internet also assists in the growth of the market. Online sales generate ever greater revenue, however, for many years to come the main point of trade will remain showrooms in shopping centres. The Internet plays a great role today in the promotion of sales and in marketing.

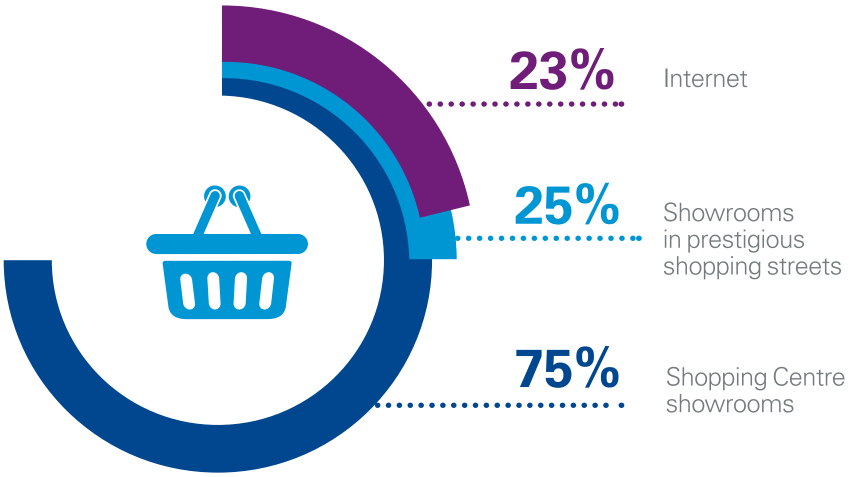
Michał Stawecki
Marketing Director, Apart

> *The survey of Polish company representatives indicates that showrooms in luxury shopping centres have the greatest significance in the distribution of premium and luxury jewellery and watches. Despite the growing significance of Internet sales and forecasts of further growth, according to producers it still represents less than 10% of their overall sales.*
>
> **Andrzej Marczak**
> Partner, KPMG in Poland

> *The role of the Internet in the luxury jewellery market is growing very dynamically, and for this reason it is of great significance for us. We observe an increase in enquiries about products through the Internet (emails, social media; the importance of Internet consulting is increasing) and a rise in the number of orders placed online. Nevertheless, in traditional sales channels, we observe the key role of the personal contact of the Client Adviser and the presentation of jewellery 'live'. If we are talking about social media channels, this is the fastest growing e-marketing and e-PR tool, thanks to which we are building the YES image, we are building a community of fans of the brand, and we are increasing sales.*
>
> **Joanna Pustkowska**
> YES, Retail Sales Director

> *The Internet is today an obvious channel in which all brands that care about effective communication with target groups must have a presence. For consumers and individuals aspiring to premium and luxury products – in Poland as all over the world – it has become a quickly and easily available catalogue and source of inspiration. We make use of a string of tools to communicate with the customer in the digital sphere. We take pains so that the shopping experience of our clients on the Internet is as close as possible to the service that we offer in our showrooms. In our case, clients very often make purchase decisions on the basis of the Internet site, and they finalize it in W.KRUK showrooms, where we additionally provide professional advice.*
>
> **Radosław Jakociuk**
> Chairman of the Board of Directors
> W.KRUK

Most important points of purchase for Polish premium and luxury brand products in the jewellery and watches segment



Most important sources of information about Polish premium and luxury brands in the jewellery and watches segment

52% Modern media

50% Visits in bricks and mortar showrooms

37% Traditional media (television, press)

32% Opinions of friends and family

Factors distinguishing Polish premium and luxury brands from their foreign counterparts in the jewellery and watches segment

Quality and appearance according to companies

Design according to buyers

Source: Analysis by KPMG in Poland based on consumer and company research

5.4 Spirits

When analysing Polish premium and luxury brands, particularly in the context of international market success, it is impossible to overlook spirits. Several brands of vodka classified in the luxury and premium segment originate from Poland. In most of the other segments, Polish brands are only taking their first steps abroad, trying to gain a position in markets dominated by the largest global players. Meanwhile, Polish vodkas aspire to join the world's elite, and some brands are universally acknowledged as a synonym for luxury and can easily compete with Russian or Scandinavian vodkas. In the home market, the growth of Polish brands is assisted by the 'premiumization' that has been observed over the last few years, an indication of which is the reaching for higher quality products in a given category. Although a gradual contraction of the Polish market can be observed in the case of mass market vodka, products from the top shelf ever more frequently land in the shopping baskets of consumers and the situation in this segment is assessed positively by producers. Interest in high quality vodka goes hand in hand with a gradual shift in the image of this spirit. Vodka is increasingly perceived as an aristocratic spirit with high qualities of taste - this image is also aided by the marketing campaigns by the owners of Polish brands.

Among the buyers of luxury goods in Poland, the most recognizable brands from the luxury and premium spirits segment are Chopin, Belvedere, and Wyborowa. In the eyes of the consumer, Polish brands distinguish themselves in comparison to foreign ones by their high quality, tradition, and history. These advantages are also used in international markets. In contrast to many other luxury products, the Polish origin of a vodka, associated with hundreds of years of tradition in distilling, is an important element of building a luxury image for a brand.

Most commonly indicated Polish premium and luxury brands in the spirits segment (spontaneous awareness)

Most commonly indicated Polish premium and luxury brands in the spirits segment (aided awareness)

Ownership of selected Polish premium and luxury brands from the spirits segment

87%

of respondents own or have owned products from at least one of the surveyed brands

Source: Analysis by KPMG in Poland based on consumer and company research

The purchase of vodka from this segment is a conscious decision. Our clients are mainly urban, middle-aged men. I would say that they are connoisseurs who are able to appreciate the taste of the product. I am tempted to say that these are the same people that choose single malt whiskey, blends in excess of 18 years old, or cognac. For them, the method of production of their drinks is important – quality and selected ingredients, the technology used in production – all of this influences the final effect of the vodka and its taste. Obviously, the packaging and appearance of the product are not meaningless – the design of the packaging of the vodka also has an influence on its image. These are products that can be given as a gift and that please the eye when standing on a domestic bar.

Marek Nizioł
Sales Director, Wyborowa Pernod Ricard

J.A. Baczewski's clients are mainly men who, because of their age and experience know their vodka, they like its taste and are able to discern the difference between industrial vodka and boutique vodka. They are drawn to our product by its authenticity and historical context.

Paweł Gorczyca
Managing Director Poland
AG-J.A. BACZEWSKI

Most important points of purchase for Polish premium and luxury brand products in the spirits segment

Most important sources of information about Polish premium and luxury brands in the spirits segment

62%
Opinions of friends and family

45%
Visits to bricks and mortar shops

32%
Modern media

27%
Traditional media (television, press)

Factors distinguishing Polish premium and luxury brands from their foreign counterparts in the spirits segment

Quality and history and the tradition of the brand according to companies

Tradition and history of he brand and recognition according to buyers

Source: Analysis by KPMG in Poland based on consumer and company research

At the moment for vodkas, and especially our portfolio, the most promising are the large markets where we are constantly growing, such as the United States and China. We also appreciate the potential of the South Korean and Canadian markets where, in our case, the change in distributor has given a new impulse to the growth of the Wyborowa and Luksusowa brands. One direction that is a very interesting development for us is towards fast developing African countries such as Angola. We do not forget about the countries of the European Union or our nearest neighbours such as Lithuania, where we are returning with the Wyborowa brand, whereas in Hungary, after a change in the regulations, there are new prospects for flavoured vodkas.

Marek Nizioł
Sales Director,
Wyborowa Pernod Ricard

Vodka was invented in Poland and it was Polish family firms that introduced this spirit to the world in the 19th and 20th centuries. Authenticity and this very historical context gave us an advantage over vodkas produced in Scandinavia and Western Europe only in the second half of the 20th century.

Paweł Gorczyca
Managing Director Poland
AG-J.A. BACZEWSKI

This year, our company had a special occasion to celebrate – Belvedere vodka, one of the most luxurious vodkas in the world became the vodka of choice for James Bond in the new film 'SPECTRE'. To celebrate, a global ambassador for the brand has been announced – the Mexican actress Stephanie Sigman. We have also introduced two Belvedere 007 limited edition, collectors' bottles. This has undoubtedly been the greatest global promotional undertaking in the company's history. We are now able to say that it has been significantly reflected in a dynamic increase in sales.

Joanna Nowakowska
Marketing Manager
Moët Hennessy Poland

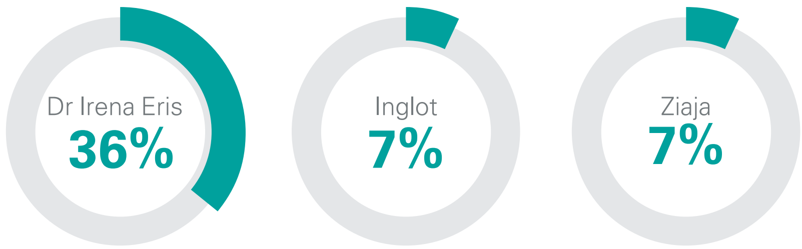
5.5 Cosmetics and perfumes

Among Polish luxury cosmetics companies, for years the leader in terms of recognisability has been the brand built by doctor of pharmacy Irena Eris and her husband Henryk Orfinger. Dr Irena Eris is the only Polish company to be a member of Comité Colbert, the exclusive club bringing together prestige brands and institutions, such as Chanel, Dior, Hermès, or Louis Vuitton. Other companies equally important for the Polish cosmetics industry include Dermika, which specializes in skin care.

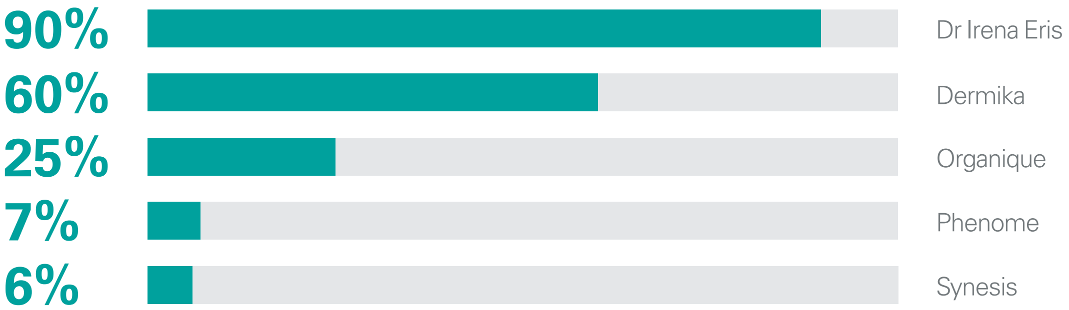
Companies that almost exclusively use natural and organic ingredients are gaining ever greater recognition in the Polish premium cosmetics market, such as Organique, Phenome, and also the innovative brand Fridge, whose products have a 2.5 month expiry period and should be kept in the fridge. An interesting proposition in the market is the brand Mo61 Perfume Lab, which deals with the personalization of fragrances. Under the watchful eyes of qualified perfumers, scents are prepared specially for customers.

The analysis by KPMG in Poland shows that, according to consumers, Polish cosmetics brands distinguish themselves by innovation. Polish producers are the precursors of many unique solutions in the area of cosmetics and cosmetology.

Most commonly indicated Polish premium and luxury brands in the cosmetics and perfumes segment (spontaneous awareness)



Most commonly indicated Polish premium and luxury brands in the cosmetics and perfumes segment (aided awareness)



Ownership of selected Polish premium and luxury brands from the cosmetics and perfumes segment

63%

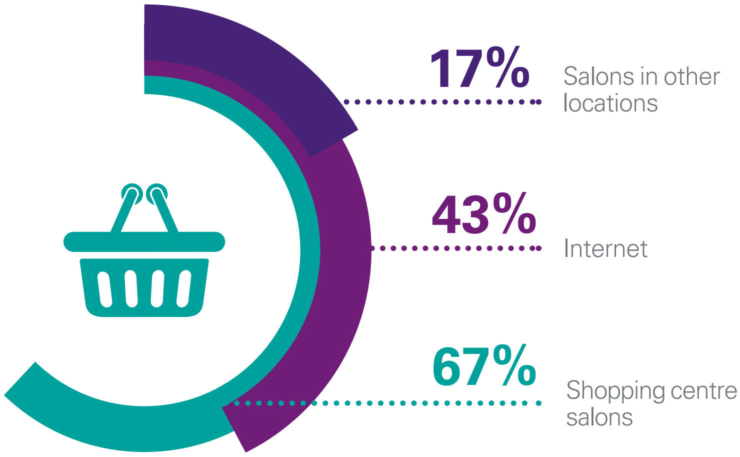
of respondents own or have owned products from at least one of the surveyed brands

Source: Analysis by KPMG in Poland based on consumer and company research

The Polish luxury cosmetics and perfumes market is quite small. It is also fragmented, and the clients are demanding and looking for novelty. Despite this, products from the premium sector are of interest to customers. We are present in this market with the select Dr Irena Eris brand. We position it high, and constantly build its luxurious world. We are undoubtedly assisted in this by our reputation in the international arena - the Dr Irena Eris brand is the only Polish brand belonging to the French luxury brand association, Comité Colbert, whose members include Louis Vuitton, Chanel, Dior, and the Hotel Ritz.

Joanna Łodygowska
Head of Communications Department, Dr Irena Eris Cosmetics Laboratory

Most important points of purchase for Polish premium and luxury brand products in the cosmetics and perfumes segment



Most important sources of information about Polish premium and luxury brands in the cosmetics and perfumes segment

55%
Modern media

52%
Opinions of friends and family

48%
Visits to bricks and mortar salons

NEWS

36%
Traditional media (television, press)

Factors distinguishing Polish premium and luxury brands from their foreign counterparts in the cosmetics and perfumes segment

Quality and prestige	according to companies
Innovation	according to buyers

The biggest obstacle for Polish premium and luxury brands is the label 'Made in Poland'. The convictions of consumers in Western Europe connected with our products are stereotypical. For this reason, we build sales in regions where the connotations with Poland are neutral. Such areas include countries from the Near East: Qatar, Kuwait, United Arab Emirates, and Saudi Arabia. Another barrier to the entry of luxury brands into international markets is the structure of selective retail, which in developed nations is narrow and strongly consolidated.

Wiktoria Brzozowska
Director of Marketing and International Markets, Dr Irena Eris Cosmetics Laboratory

Source: Analysis by KPMG in Poland based on consumer and company research

5.6 Yachts

In 2009, following the collapse of Lehman Brothers Bank, the global yacht market was hit by a deep crisis. A string of boatyards went bankrupt, accompanied by strong pressure on prices. The situation in the industry was exploited by Polish producers, who now belong to the very pinnacle of world leaders. The most important representatives of Polish luxury yacht producers include: Galeon, producing mainly motor yachts, Sunreef Yachts, specializing in luxury catamarans, and Delphia Yachts, offering smaller options of up to 15 metres.

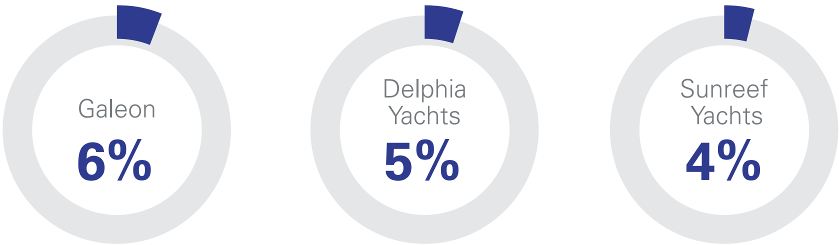
Over 90% of production reaches foreign markets, due to the relatively low demand in our country. Furthermore, owning a luxury yacht is still out of reach for the majority of Poles in light of the high price and significant costs of yacht upkeep.

Polish producers of luxury yachts consider that the situation in the industry has markedly improved over the last three years. They assess the current position of the segment very positively, as they do further prospects for growth. In addition, the majority of companies do not observe any significant obstacles restricting the growth of their brand.

Polish producers can confidently compete in international markets; according to the surveyed companies, the factors that distinguish Polish yachts, apart from price and quality, include aesthetics and design, and also tradition and the history of the brand. A key marketing channel, whereby Polish yacht-builders promote their newest models and accessories among potential clients, are trade shows.

> *It is commonly held that, in the case of luxury goods, Internet communication should be employed moderately. From our experience, however, it turns out that the Internet is an excellent tool for shaping the image and recognisability of the brand and its products among potential customers. Thanks to our online activity, we are able without any problem, as a Polish brand, to reach potential customers from all over the world with our offer. It must be borne in mind that the sale of customized yachts over the Internet is practically non-existent. There is no option to select a unit, put it in a basket, and pay by credit card. The Internet can only be a method to support the transaction, e.g. by the interested party or their representative sending the initial enquiry via the website. From then on, the entire process takes place directly, that is in meetings with the client. During the selection of the unit, it is essential to meet the buyer, to learn their expectations and preferences. The lead time for a new yacht is about eighteen months (depending on the size of the unit and the level of customization). During this time, we take care of the client; we want them to have the best experience during the building of their catamaran, but also after it has been built. We offer a range of after-sales services. An individual approach is one of our priorities in building long-term relationships. A careful sales ritual is one of the most important factors that distinguishes producers from the luxury sector.*
>
> **Karolina Paszkiewicz**
> PR & Marketing Director, Sunreef Yachts

Most commonly indicated Polish premium and luxury brands in the yachts segment (spontaneous awareness)



Most commonly indicated Polish premium and luxury brands in the yachts segment (aided awareness)

Most important sources of information about Polish premium and luxury brands in the yachts segment

48% Modern media

34% Opinions of friends and family

31% Traditional media (television, press)

29% Industry Events

Source: Analysis by KPMG in Poland based on consumer and company research

On a global scale, each year, the sale of yachts and superyachts (units over 24 metres) has risen significantly. According to a survey conducted by the industry publication 'Boat International', in 2012, 270 superyachts were sold; in 2013 – 355 and in 2014 – 412. Currently, all indicators show that the upward trend will continue. Poles are ever more aware of yachts and yachting culture. They sail in the country and readily charter vessels overseas, not only in the Mediterranean, but also, for example, in the Caribbean. Yet, owning a luxury yacht is beyond the means of most Poles. Our product is mainly aimed at the foreign buyer who is capable of paying in excess of two million euros for a unit and in addition to maintain it. When buying a yacht, you have to calculate that the annual costs of upkeep amount to about 10% of its value.

Francis Lapp
President and Founder, Sunreef Yachts

Modern design plays an ever greater role in the yacht market. It is important to keep abreast of the latest design trends and to incorporate them. Buyers of Delphia yachts are a varied group. Among our individual clients, we have not taken two identical orders. This is a result of the possibility of configuring sailing and motor yachts to an exceptional degree. Materials, interiors, equipment – each client has their own vision of the ideal boat, the boat of their dreams and it is our job to make it a reality. You have to consider the peculiarity of the market. Clients from the United States rather choose the largest models, e.g. the Delphia 46 DS or Delphia 47, whereas those sailing on inland waters tend to choose 10-metre yachts. Buyers also pay attention to nautical properties and quality of workmanship.

Ewa Kot
Public Relations Manager, Delphia Yachts

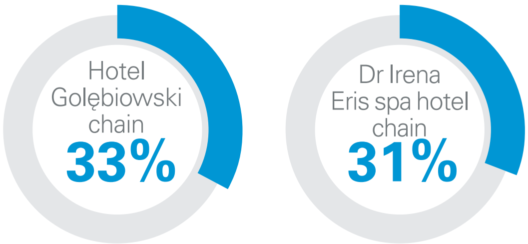
5.7 Hospitality and spa

There are over 60 five-star hotels currently operating in Poland. The majority of these are to be found in Warsaw and Kraków. The capital is dominated by buildings functioning under the banners of international hotel chains, such as Marriott, InterContinental, Radisson Blu, Sheraton, or Westin, aimed to a large degree at business customers. Nevertheless, nationwide the majority of hotels in the premium and luxury segment operate under home-grown brands. Undoubtedly, the most recognizable is the chain of Dr Irena Eris spa hotels (three sites, of which two are of five-star standard), and also Gołębiowski Hotels (four hotels, all of four-star standard). The Likus Hotels and Restaurants group is also among the largest chains – they own the five-star premises Hotel Copernicus and Hotel Stary in Kraków and Monopol hotels in Katowice and Wrocław.

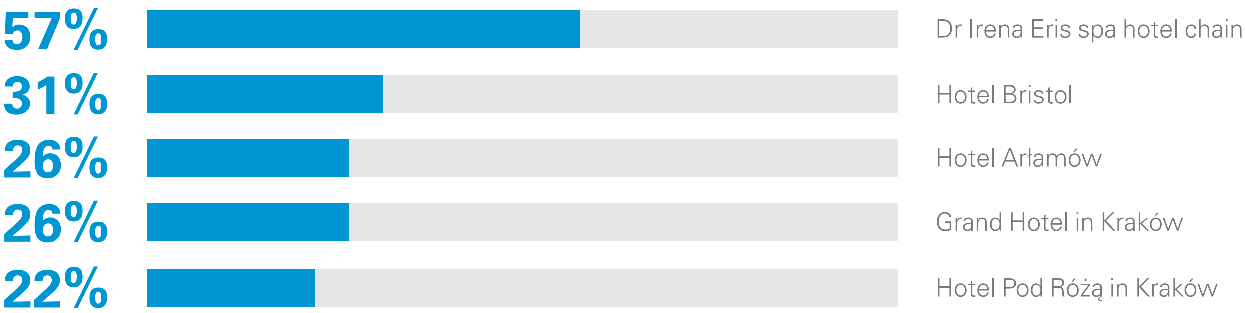
The vast majority of representatives of Polish hotels and spa that were interviewed do not perceive competition from foreign chains as a threat. This is decided by, among other things, location factors – inasmuch as international hotel groups are present in all of the major cities, in areas beyond the towns and in popular leisure centres, hotels operating under a foreign brand are a rarity. The biggest obstacles to growth, as noted unanimously by the representatives of Polish premium and luxury hotels, are the shortage and high costs of appropriately qualified staff, as well as the small number of potential customers with the requisite level of income. Nevertheless, they generally assess both the current situation in the segment and the possibilities for future growth positively.

In recent years, the Internet has become the most important channel for reaching customers in the hotel industry, likewise in the premium and luxury segment. It is not only a tool enabling searching and comparing offers and making reservations, but it also plays a key role in the process of communicating and building a relationship with clients. In addition to running their own website, all of the hotels and spa surveyed have official accounts in social media portals and the majority use other promotional methods available over the Internet, such as placing advertisements or writing a blog.

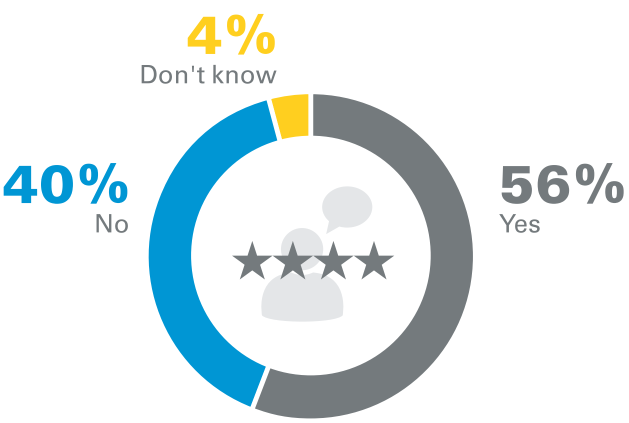
Most commonly indicated Polish premium and luxury hotels (spontaneous awareness)



Most commonly indicated Polish premium and luxury hotels (aided awareness)

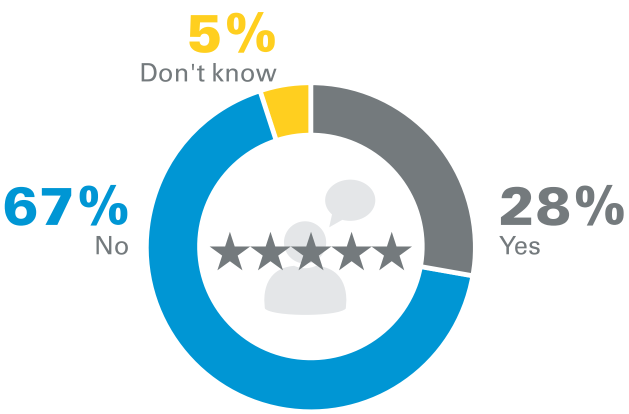


Have you visited a 4* hotel in Poland within the last 3 years?



56% of respondents declared that within the last 3 years they had visited a 4* hotel in Poland.

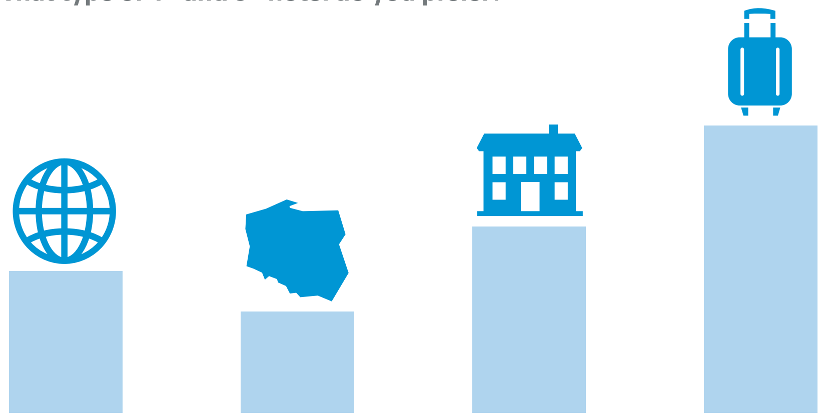
Have you visited a 5* hotel in Poland within the last 3 years?



28% of respondents declared that within the last 3 years they had visited a 5* hotel in Poland.

Source: Analysis by KPMG in Poland based on consumer and company research

What type of 4* and 5* hotel do you prefer?



Most important sources of information about Polish premium and luxury brands in the hospitality and spa segment

70%
Modern media

53%
Opinions of friends and family

28%
Traditional media (television, press)

Source: Analysis by KPMG in Poland based on consumer and company research

The Internet is one of the most important sales and communications channels in the hospitality industry. First of all, it enables the sale of services through an online reservations system, and secondly it is an excellent channel for communicating the offer and building relations with the guest, if only through social media.

Maja Lubomańska-Palarczyk
Director of Marketing and PR, MPM Spa hotels, Głeboczek Vine Resort and Spa, Hotel Villa Park MED & Spa

The guests of Hotel Bristol are, to a large extent, businessmen, for whom comfort, exclusive décor in the rooms and service at the highest level are important. They have clearly defined expectations, and while staying in a hotel they also want to do their work, at the same time enjoying a fast, efficient, and luxury service. At the same time, we observe a significant increase in the tourist segment – more and more guests come for private purposes; to visit Warsaw and learn its history, rich cultural life, or even the varied gastronomic offer.

Andrew Henning
General Manager, Hotel Bristol

We can currently observe no differences between the offers of Polish and international luxury hotels. Both Polish and international hotels have access to the latest technology, highly qualified staff, and the highest levels of equipment.

Joanna Wilgierz
Director, Hotel Copernicus

The role of the Internet has risen dramatically alongside the development of mobile apparatus. Guests can not only discover a Dr Irena Eris spa hotel offer using a mobile device, but they are equally happy to make reservations online. We are aware that the Internet and word of mouth are currently considered to be the two most important promotion channels for hotels. Despite annually increasing online activity, we do not neglect tradition and respect for the individual customer who values personal contact. For the most demanding, we also offer a concierge.

Henryk Orfinger
President of the Board of Directors, Dr Irena Eris spa hotels

Luxury goods market in Poland. Luxury hotels and spa.

Hotel Professionals commentary

At the outset, it must be said that, although we have many beautiful sites in Poland that are considered 'luxurious', the true 'luxury' segment in the context of world criteria, represented by such global brands as Peninsula, Four Seasons, Raffles, Mandarin, or Ritz Carlton is only just emerging here. The site with the highest standard in Poland is still Hotel Bristol, a Luxury Collection hotel, located near the Old Town square in Warsaw. Nonetheless, in 2018 a 103-room luxury hotel in the Raffles chain will open its doors in the restored building on the site of the former Hotel Europejski, which with certainty will be the most luxurious site in the country. On the site of the former Hotel Warszawa, another luxury site is being built, belonging to the Likus brothers, known for exclusive investments and who own the 5-star hotels Stary and Pod Różą in Kraków. Furthermore, the luxury brand Four Seasons has announced plans to enter Poland.

In light of the above, for the purposes of our report, the 5-star hotels present in Poland were subject to analysis. In any case, individuals travelling in Poland have 63 hotels to choose from at the 5-star standard, offering a total of 7,903 rooms, representing almost 7% of all hotel rooms available in Poland. The overwhelming majority, about 73% of rooms in 5-star hotels, are offered in the 5 largest cities (with the exception of Łódź) with Warsaw leading the way, boasting almost 3 thousand hotel rooms of 5-star standard.

Nearly 55% of hotel rooms in the analysed segment are offered by sites belonging to global brands, where the market leaders are the Radisson Blu and Sheraton brands, and the hotel with the largest number of 5-star rooms is the Hotel Marriott in Warsaw.

We estimate that the combined revenue for all luxury sites amounts to about PLN 1.3 billion annually, and the value of the sites is about PLN 4.55 billion. The increase in comparison with the previous year is the result of good economic prospects and a rise in revenues across society, whereas the rise in the value is also connected to a decrease in the capitalization rate. We forecast that in the next three years, the luxury hotel market in Poland will strengthen, and its value will rise. One of the causes is the decrease in interest of tourists in popular foreign destinations related to political unrest, which would result in an increase in trips within the country and a rise in the number of foreign tourists visiting Poland.

As has been mentioned, two hotels in the luxury segment will open in the coming years, being already under construction, adding about 230 rooms to the market. We are also aware of the interest in the Polish market of the Four Seasons chain. Therefore, between one and three luxury hotels will appear in Poland, of a standard that has not been seen in our country before. Such sites, for now, can only be accepted in the capital, and furthermore, the number of planned rooms is sufficient to saturate the market. The 5-star segment will gradually grow, yet we do not foresee an increase in the share of the overall number of hotel rooms in the country, since we predict a faster growth in supply in the economy 2-star hotel segment. This is in large part a function of the cost barrier of building luxury sites, where the investment cost calculated on a per room basis is exponentially higher than the costs of building an economy hotel, and amounts to EUR 300-350 thousand.

Considering the 5-star spa hotels, it is significant that, in large part, they are located away from the large cities, in typically leisure locations, such as Zakopane, Sopot, or Kołobrzeg. In this segment, in the coming years we predict the further strengthening of the significance of the brand sites and the appearance of sites under the banner of global brands, such as Radisson Blu.

Alex Kloszewski
Partner, President of the Board of Directors Hotel Professionals Sp. z o. o.

6 Buyers of luxury goods in Poland and their financial situation

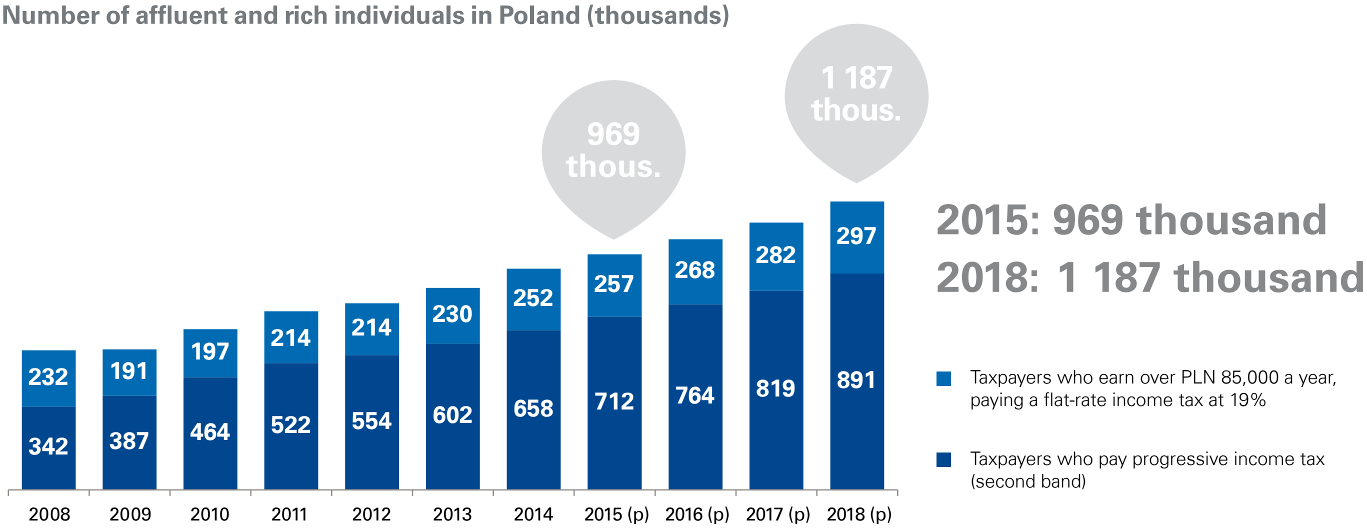
The number of affluent and rich Poles is steadily increasing year on year. We estimate that in 2015, 969 thousand individuals with a monthly gross income in excess of PLN 7.1 thousand live in Poland. Our country is also home to 43 thousand people who can be described as HNWI (high net worth individuals) holding liquid assets worth over USD 1 million.

The number of potential buyers and their income

From year to year, the number of affluent and rich individuals rises systematically. In 2014, there were 910 thousand people living in Poland who could be described as affluent or rich, that is with annual gross income in excess of PLN 85 thousand. We estimate that their combined annual net income came to PLN 147.8 billion. In relation to the previous year, both the number and earnings of affluent or rich people in full-time employment (i.e. paying their taxes in accordance with the progressive tax scale) increased. Among the group of entrepreneurs and self-employed with a comparable income the situation was very similar; their numbers and their income both increased. However, the income of those who pay taxes on the sale of securities or derivatives decreased slightly.

We estimate that over the whole of 2015, the group of affluent or rich individuals will increase by 58 thousand individuals (up to 969 thousand) and their net income will rise to PLN 154.7 billion. This rise will continue beyond 2015. By 2018, as many as 1.2 million affluent or rich individuals may even be living in Poland, with a net income reaching PLN 209.2 billion.

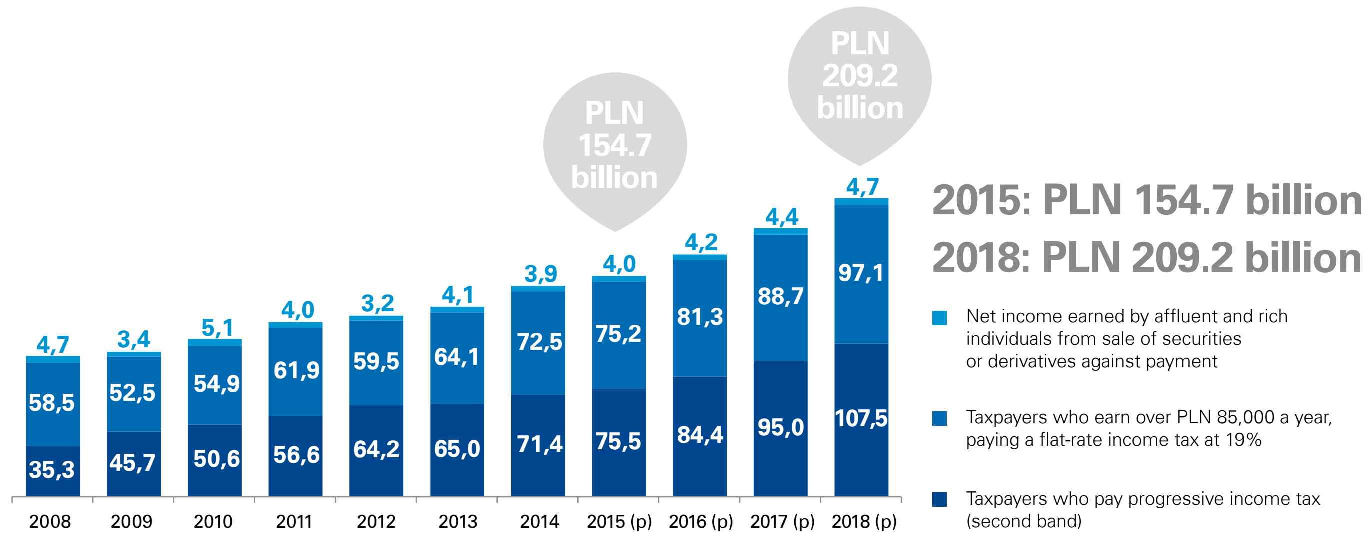
Number of affluent and rich individuals in Poland (thousands)



Affluent or rich individual – a person with a monthly gross income of over PLN 7,100.

Source: Analysis by KPMG in Poland based on Ministry of Finance data; (p) – projection by KPMG

Total annual net income of affluent and rich individuals in Poland (PLN billion)



Affluent or rich individual – a person with a monthly gross income of over PLN 7,100.

Source: Analysis by KPMG in Poland based on Ministry of Finance data; (p) – projection by KPMG

The number of affluent and rich Poles is steadily growing; for years, their aggregate net income has also been increasing. We estimate that, after only a year, the number of affluent and rich taxpayers may for the first time exceed 1 million, and in 2018 their aggregate income will reach a value of around PLN 200 billion.

Andrzej Marczak
Partner, KPMG in Poland

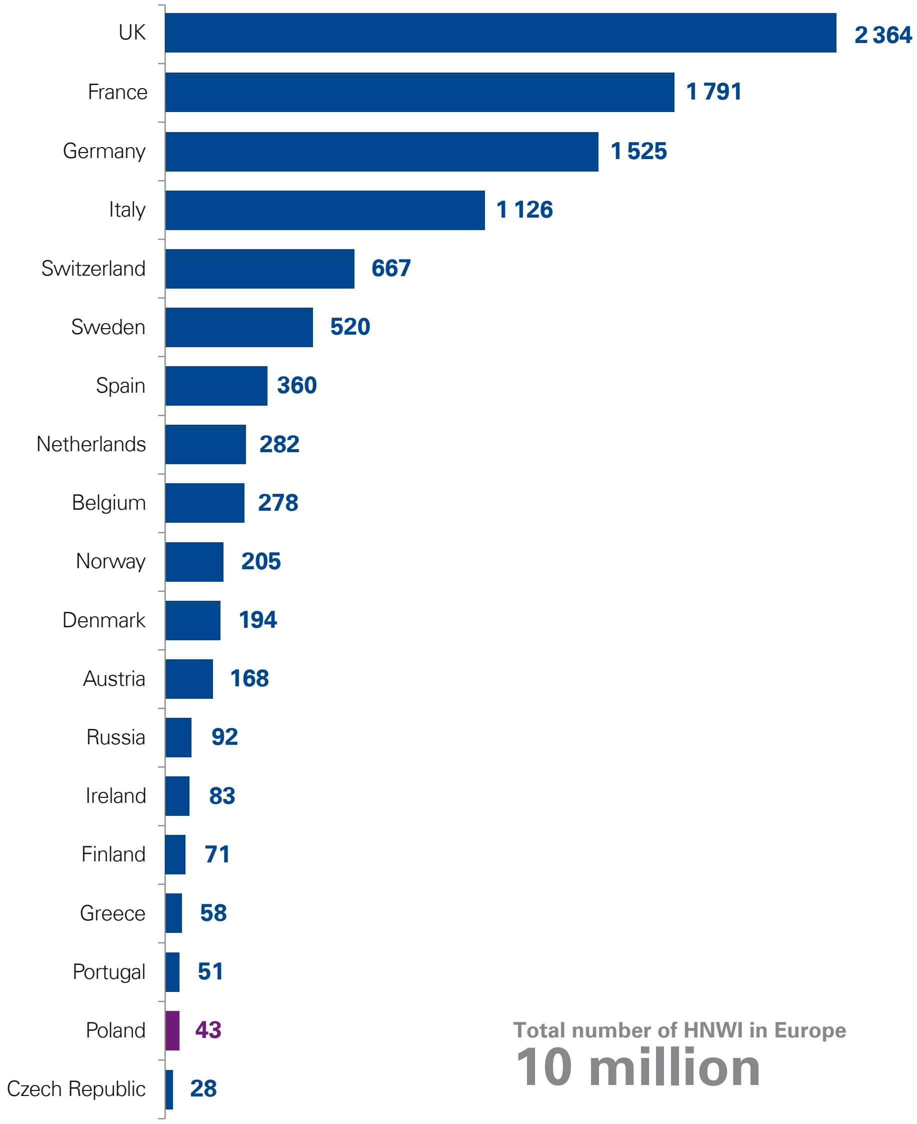
Affluent and rich individuals are the basic target group for companies in the luxury goods market. Among them, the HNWI (high net worth individuals) sector is of key importance, that is the richest consumers. The traditionally accepted criterion of belonging to this group is having liquid assets in excess of USD 1 million.

The Global Wealth Databook 2015 report, published by Credit Suisse, shows that 43 thousand people living in Poland can be counted in the HNWI category. In comparison to Western European countries, this figure is not large; for example, in France, there are almost 1.8 million, in Great Britain – 2.4 million, whereas in Germany – 1.5 million. The number of HNWI in Poland is comparable to countries such as Portugal (51 thousand), Finland (71 thousand) or the Czech Republic (28 thousand), that is countries with much smaller populations generally.

The wealth of the majority of Polish HNWI (38.3 thousand) is estimated from USD 1 to 5 million. Only a very small group has significantly larger wealth.

Analysing the change in the number of HNWI over several years, we observe a slight decrease over the last year. This is mainly due to the weakening of PLN in relation to USD in comparison to 2014.

Number of HNWI in selected European countries (thousands, 2015)



Number of HNWI in Poland by wealth level (2015)

USD 1-5 million	**38,259**
USD 5-10 million	**3,113**
USD 10-50 million	**1,676**
USD 50-100 million	**140**
Over USD 100 million	**91**
Total HNWI	**43,279**

HNWI (high net worth individuals) – individuals with liquid assets exceeding USD 1 million

Source: Analysis by KPMG in Poland based on Credit Suisse data

Wealth held by Poles

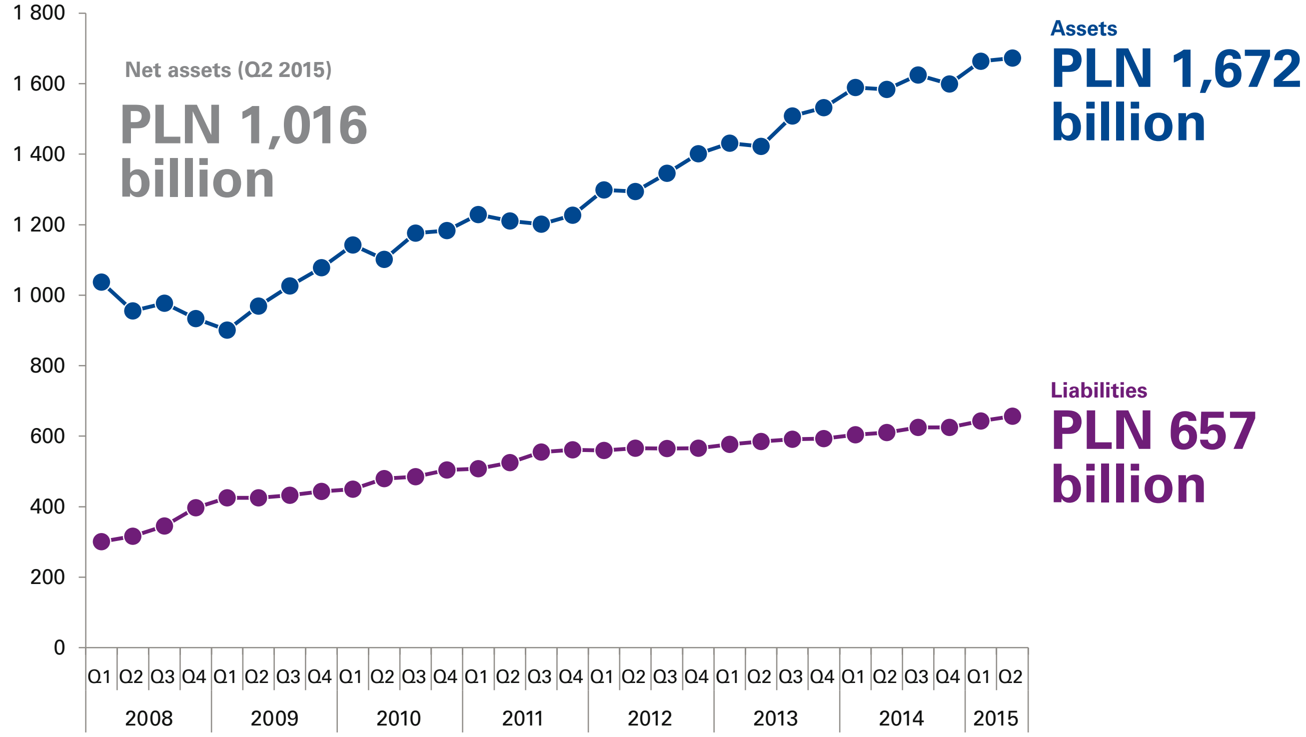
Consistently over recent years, the largest share of assets held by Polish households continues to lie in bank deposits. Their value shows a stable growth, reaching PLN 630 billion in Q2 of 2015, an increase of 9% in comparison to the corresponding period of the previous year. A significant increase was also observed with respect to the amount of cash held by Poles. In Q2 they amassed PLN 135 billion worth of assets in cash, which represents a 15% increase over the last year.

Year on year, Poles invest more. Despite the decrease in the value of equities (by 17%) and debt securities (by 9%), the overall value of investments in Q2 amounted to PLN 446 billion, which means an increase of 0.3% over the corresponding period in the previous year.

The least liquid assets, the category of insurance and open-ended pension funds, showed a significant decrease of value at the end of 2013 / beginning of 2014, caused by a one-off transfer of assets from open-end pension funds (OFE) to the national social security institution (ZUS). Over the course of the last year, the value of this part of assets maintained a steady level, and at the end of Q2 reached a value of PLN 276 billion.

Year on year, we observe an increase in the value of household assets, which reached a value of PLN 1,672 billion at the end of Q2. The value of obligations also rose over the same time, to PLN 657 billion.

Household assets and financial liabilities (PLN billion)



Source: Analysis by KPMG in Poland based on NBP data

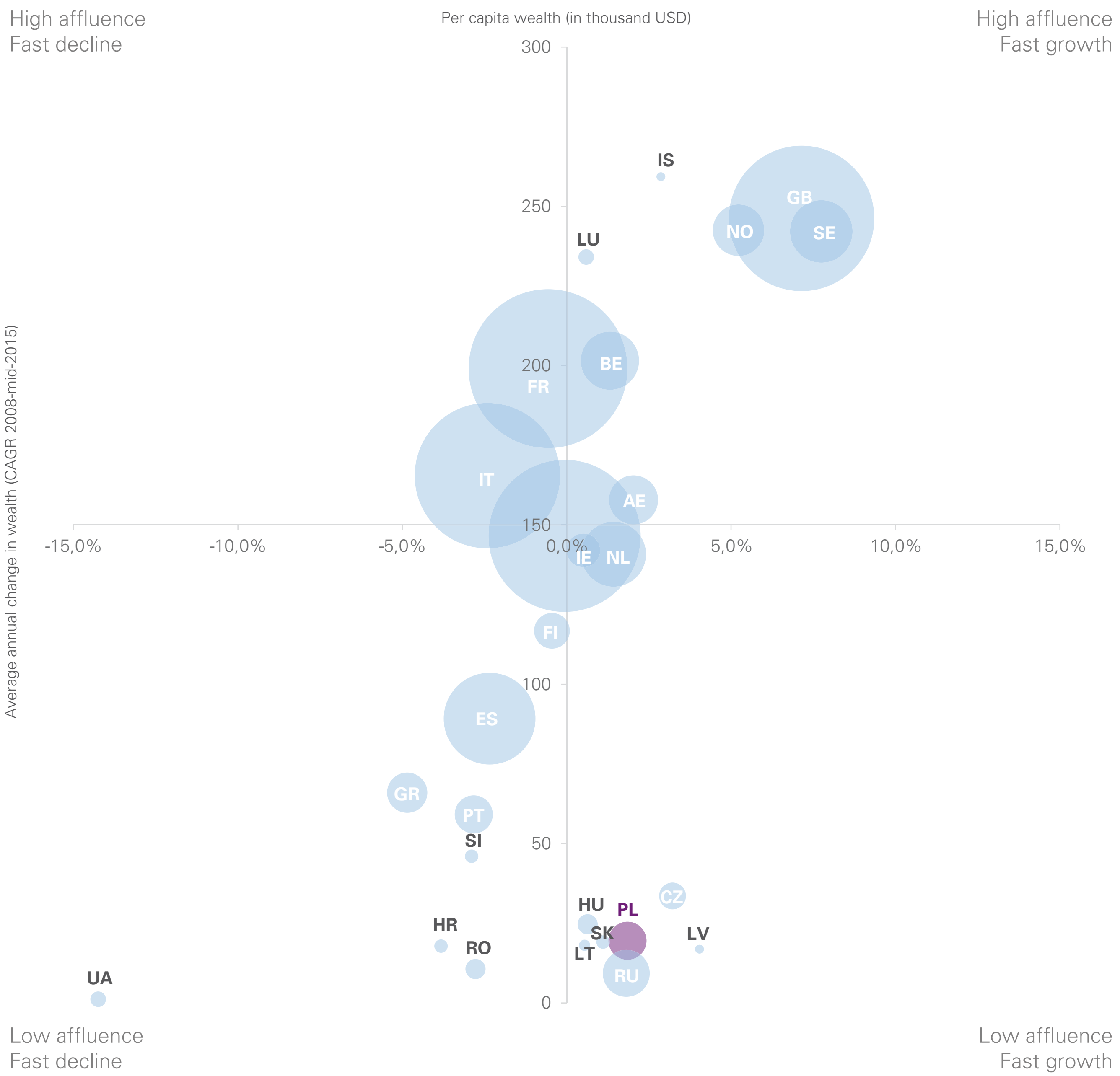
The Wealth of Poles compared to other European countries

When compared to Western European countries, the wealth held by Poles can be described as rather limited. In mid-2015, the average per capita value of assets in Poland amounted to only USD 19.5 thousand, whereas the respective value for the European Union is equal to USD 133.4 thousand, that is nearly seven times as much.

The wealth of the average Pole is comparable to countries such as Slovakia (USD 19.1 thousand), Hungary (USD 24.7 thousand), Croatia (USD 17.8 thousand) or Lithuania (USD 18.1 thousand). We lag behind the Czech Republic, which has an average wealth of USD 33.6 thousand, and even the relatively least-affluent Western European countries, such as Portugal (USD 59.1 thousand), Greece (USD 66 thousand) and Spain (USD 89.2 thousand). The most affluent inhabitants of Europe include Icelanders (USD 259.3 thousand), Norwegians (USD 242.5 thousand), and Swedes (USD 242.1 thousand), whose wealth exceeds that of Poles twelvefold.

Poland is a country of relatively low affluence, yet average per capita wealth is increasing over recent years (an increase of 1.9% annually between 2008-2015). In 2000, the value of the wealth of the average Pole amounted to USD 6.4 thousand, and in 2008 – USD 17.3 thousand.

Affluence of societies in selected European countries (H1 2015)



The size of a circle reflects total wealth

Source: Analysis and calculations by KPMG in Poland based on Credit Suisse data

Capital located in luxury

More and more, affluent Poles are combining accumulation of wealth with the fulfilment of their passions or personal development. Investments are ceasing to be merely an accounting entry; the purchase of luxury goods is becoming something more than a simple cost.

Only a very few items, due to their quality, longevity, global recognition, or limited supply, can be transferred from the category of 'expenses' to the category of 'investments'. This group includes unique spirits and cars, works of art, jewellery, diamonds, watches, or various kinds of collector's items. Obviously, in Poland, this method of investment continues to be less popular than in Western Europe or the United States. Rich Poles, however, are quickly changing their habits.

An incentive to this might be the results that can be achieved in certain markets. For example, according to the Internet service PolishedPrices.com, between 2009 and 2015, the price of diamonds grew by an average of 5% annually with a volatility 1.6 times lower than gold and almost 3 times lower than silver. In turn, the Rare Whisky Icon 100 index, monitoring the prices of 100 collector's bottles of whisky on the auction market, has risen by 209 percent since December 2009. The HAGI Top index, tracking the prices of classic cars, rose by 15.3 percent last year, and has already risen by 13.8 percent this year. Investors are clearly searching for investment alternatives.

An additional stimulus encouraging such a location of capital may be combining one's passions with investments, known as the 'emotional dividend'. This is the pleasure derived from interacting with works of art, rare cars, or other luxury products, and also of the opportunity to present them with pride before other people. It should be added, that many investors also treat such a location of capital as an element of the diversification of their portfolio.

Making a detailed analysis of the level of investment exposure in such markets by Poles is quite difficult, since with the purchase of luxury goods and collector's items, it is hard to distinguish those that are purely consumptional or emotional from those determined by financial factors. Often, these motivations overlap, and an art collection painstakingly built over a lifetime may be a way of ensuring a financial future; the two goals are not mutually exclusive. In any case, the sellers seldom ask about the reason for the purchase.

Nevertheless, in some segments, one can be tempted to mention numbers. The easiest is to estimate the level of investment exposure in the spirits market. Here, we are one of the leaders in the European market, since we have located a combined total of PLN 150 million in this way. Such a high level of exposure means that we are a very attractive market to, for instance, whisky producers. Not long ago, the world premieres of limited exceptional editions were held in Scotland, London, Paris, maybe the Far East; since 2011, such events have also taken place in Warsaw. Premieres of rare drinks have already been organized on the banks of the Vistula by: the Glenfarclas distillery, who introduced the oldest whisky in their history in this way, the Gordon & MacPhail company, who presented one of the oldest whiskies in the world, or the Number One Drinks company, which owns the last casks from the legendary Japanese distillery, Karuizawa. Cognac houses such as Tiffon or Bache-Gabrielsen have followed in their footsteps. This demonstrates that Poland is appreciated as a consumer of rare spirits, and that rich Poles are more and more often building collections of such drinks.

Clearly, only a certain proportion of luxury goods can become a location for capital. The creation of a valuable collection of art, cars, or spirits requires knowledge, experience, and time. For this reason, together with an increase in interest among Poles in such investment solutions, we can also observe the growth of the consulting services market. Currently, these services are provided by some banks as part of private banking and by independent specialist companies. The further growth of this financial services sector is to be expected, along with a growth in the number of affluent and rich individuals.

Maciej Kossowski,
President of the Board of Directors, Wealth Solutions

7

About the study

The guiding theme of this year's edition of the report is Polish premium and luxury brands. To discover how they are perceived and what the current situation in the market looks like, we conducted a study of 305 respondents with a monthly gross income in excess of PLN 7.1 thousand. This analysis was augmented by a study of companies operating in the segment in question.

For the purposes of this report, it was assumed that a Polish premium and luxury good is any good bearing a brand that is generally recognized in Poland as a premium and luxury brand or one that in light of its particularity (uniqueness, high price etc.) assumes such a character.

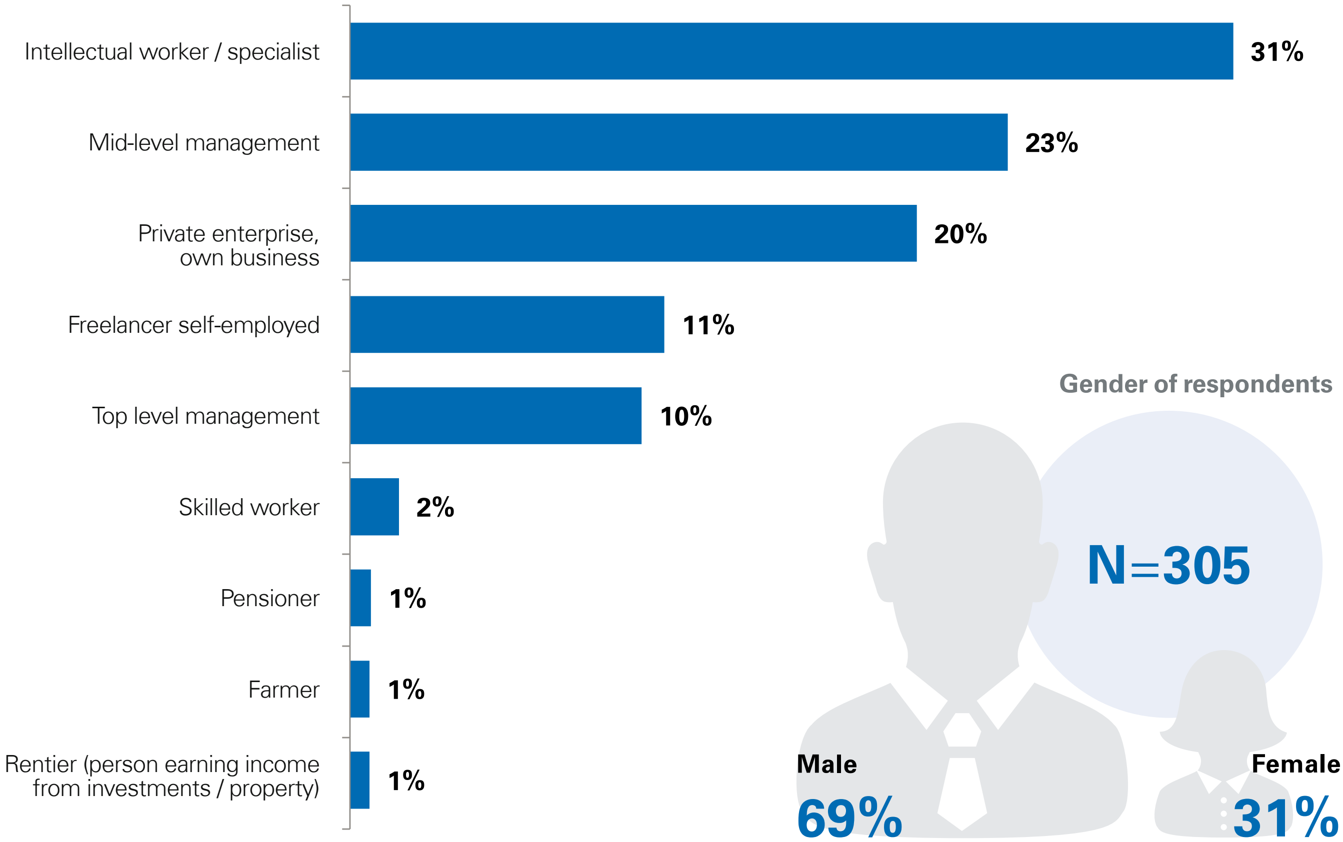
In turn, a Polish brand is one that is owned by a company with a majority of Polish capital or has Polish roots (historical) and continues to be produced in Poland.

The study was carried out in September 2015 using the CAWI (Computer Assisted Web Interview) method by the market research company Millward Brown. The criterion for selecting study respondents was a gross monthly income in excess of PLN 7.1 thousand. Over half of those studied were individuals earning between PLN 7,100 to 10,000 gross per month, who for the purposes of the report were designated as **affluent**. 39% of the study sample earn between PLN 10,001 and 20,000 gross per month, and this group was designated as **very affluent** individuals. The remaining respondents earned in excess of PLN 20,000 gross per month (including 1% above PLN 50,000 gross per month) and in this report, they have been designated as **rich**.

Gross monthly income of respondents

Gross monthly income	N=305
Above PLN 50,000	1%
PLN 20,001-50,000	5%
PLN 10,001-20,000	39%
PLN 7,127-10,000	55%

Respondents by type of occupation



In this year's edition of the report, KPMG in Poland also surveyed companies owning Polish premium and luxury brands, as a result of which we received 24 questionnaires. Representatives of the selected companies answered questions regarding subjects such as the history of their brand, the situation in the given market segment, obstacles limiting growth, marketing communication channels, client characteristics, and the role of foreign markets.

The report also used other sources of data:

- Euromonitor International
- Eurostat
- GUS
- REAS
- Ministry of Finance
- PZPM / CEP
- National Bank of Poland
- Polish Sailing Association
- Civil Aviation Authority
- Credit Suisse
- Economist Intelligence Unit

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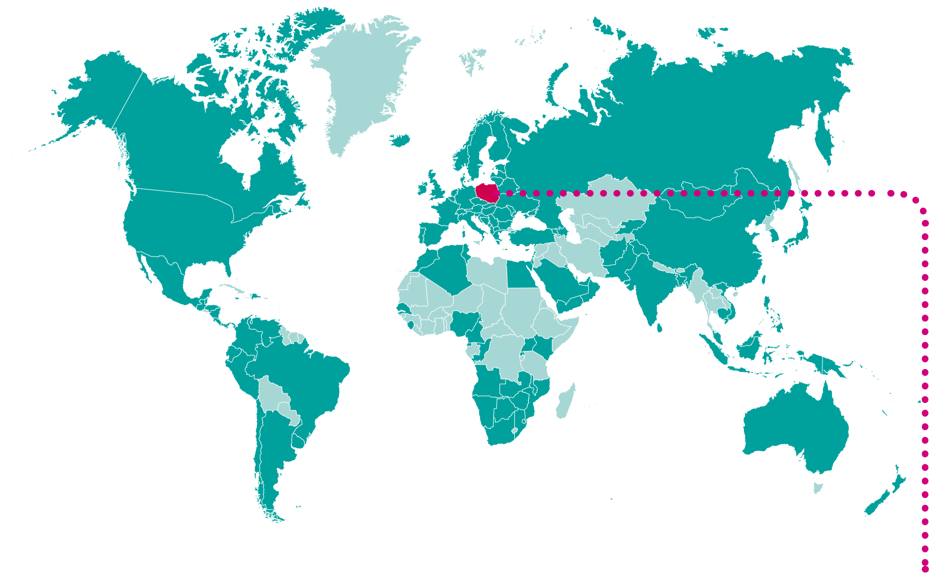
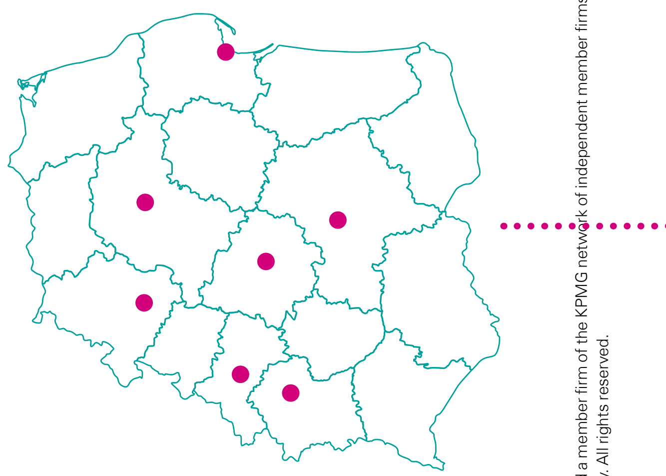
KPMG

About KPMG in Poland





Since 1990 KPMG in Poland has been providing Audit, Tax and Advisory services, while D, Dobkowski sp.k., a law firm associated with KPMG, has been assisting clients in a wide range of legal matters. Currently we employ more than 1 300 professionals in seven offices located in Warsaw, Kraków, Poznań, Wrocław, Gdańsk, Katowice and Łódź.

Fundamental to KPMG's approach is our focus on sectors from a wide range of industries including Consumer Markets, Financial Services, Private Equity, Automotive, Building, Construction & Real Estate, Technology, Media & Telecommunications, Transport, Shipping & Logistics, Industrial Manufacturing as well as government and public sector agencies. We believe that we can add value for clients if we truly understand their industry. Our industry-driven structure has enabled us to develop deep knowledge of clients' businesses and provide them with an informed perspective on the issues they face.

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Based on specialist knowledge, experience, and familiarity with the local market, we have created a multi-disciplinary team that comprehensively supports companies operating in the luxury goods market. We offer audit consultancy services, aimed at improving the functional effectiveness of enterprises and their stable growth. We help identify and manage the legal, tax, business, and technological markets, as well as dealing with increasing regulatory demands. We support clients in resolving current problems related to strategic and operational management and in conducting transactions and restructuring.

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